



順風國際清潔能源有限公司
SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 01165



WORLD'S LEADING
CLEAN ENERGY PROVIDER

LOW-CARBON & ENERGY-SAVING
INTEGRATED SOLUTIONS PROVIDER

2021
INTERIM REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Yu (*Chairman and Chief Executive Officer*)
Mr. Zhang Fubo
Mr. Lu Bin
Mr. Chen Shi

Independent Non-executive Directors

Mr. Tao Wenquan
Mr. Zhao Yuwen
Mr. Kwong Wai Sun Wilson

AUDIT COMMITTEE

Mr. Kwong Wai Sun Wilson (*Chairman*)
Mr. Tao Wenquan
Mr. Zhao Yuwen

REMUNERATION COMMITTEE

Mr. Kwong Wai Sun Wilson (*Chairman*)
Mr. Zhang Fubo
Mr. Tao Wenquan
Mr. Zhao Yuwen

NOMINATION COMMITTEE

Mr. Wang Yu (*Chairman*)
Mr. Kwong Wai Sun Wilson
Mr. Zhao Yuwen

COMPANY SECRETARY

Mr. Lu Bin

AUTHORIZED REPRESENTATIVES

Mr. Wang Yu
Mr. Lu Bin

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Portion C, 30/F, Bank of China Tower,
1 Garden Road, Central,
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 12 Xinhua Road
National Hi-tech Industrial Development Zone
Wuxi City
Jiangsu 214028, China

AUDITOR

BDO Limited

LEGAL ADVISER

As to Hong Kong law
Herbert Smith Freehills

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

COMPANY WEBSITE

www.sfcegroup.com

STOCK CODE

01165



MANAGEMENT DISCUSSION AND ANALYSIS



As disclosed in the announcement of the Company dated 31 December 2020 and the circular of the Company dated 23 June 2021, Lattice Power Corporation (晶能光電有限公司*, an indirect non wholly-owned subsidiary of the Company, as the vendor) entered into a sale and purchase agreement with Nanchang Guanggu Group Limited* (南昌光穀集團有限公司, as the purchaser), pursuant to which Lattice Power Corporation agreed to sell 100% of the equity interests in Lattice Power (Jiangxi) Co., Ltd* (晶能光電(江西)有限公司) with the consideration of RMB670 million. The shareholders' approval was obtained on 13 July 2021 ("Lattice Power Disposal"). The Lattice Power Disposal is expected to be completed in September 2021. The segment of manufacturing and sales of LED products in relation to the Lattice Power Disposal was presented as discontinued operation during the Period. The Group still retains one segment of solar power generation in the PRC during the Period.

BUSINESS REVIEW

The Group has evolved from engaging purely in solar power business into a diversified leading integrated provider of clean energies and low-carbon and energy-saving solutions with global influences. The Group continues to proactively explore various kinds of clean energy resources with an aim to lay a solid foundation for its development into a global leading supplier which provides low-carbon and energy-saving integrated solutions.

Continuing operation

Solar Power Generation in the PRC

During the Period, the solar power plants in the PRC owned by the Group generated an aggregate of approximately 469,527MWh.

	For the six months ended		
	2021	2020	% of
	<i>MWh</i>	<i>MWh</i>	Change
Power generation volume in the PRC	469,527	745,017	(37.0%)

The Group's solar power plants in the PRC realised a total installed capacity of on-grid generation of approximately 763MW as of 30 June 2021.

Geographical information

During the Period, the top five customers represented approximately 65.4% of the continuing operation's total revenue, as compared to approximately 68.3% for the corresponding period in 2020. The largest customer accounted for approximately 17.8% of the continuing operation's total revenue, as compared to approximately 22.1% for the corresponding period in 2020. The largest customer is State Grid Bazhou Electric Power Supply Company, which is one of the state grid companies in the PRC to which the Company sells the electricity.

The sales to PRC-based customers represented 100% of the continuing operation's total revenue for the Period.

Discontinued operation

Manufacturing and sales of LED products

During the Period, the sales of LED chips, LED packages and other LED products within the discontinued operation's production business amounted to RMB313.6 million, as compared to RMB221.8 million for the corresponding period in 2020.

Geographical information

During the Period, the top five customers represented approximately 36.9% of the discontinued operation's total revenue. The largest customer accounted for approximately 17.6% of the discontinued operation's total revenue for the Period.

The sales to PRC-based and overseas customers represented approximately 93.5% and 6.5% of the discontinued operation's total revenue for the Period, respectively.

FINANCIAL REVIEW

Revenue

Continuing operation

Solar power generation in the PRC

Revenue decreased by RMB215.8 million, or 37.2%, from RMB580.3 million for the corresponding period in 2020 to RMB364.5 million for the Period, primarily due to that revenue from the 11 Target Companies in respect of the 2019 Disposals and the 6 Target Companies in respect of the 2020 Disposals were recognised for a few months for the corresponding period in 2020, while there was no such revenue recognised for the Period due to the completion of registration for share transfer of the relevant 11 target companies in respect of the 2019 Disposals and 6 target companies in respect of the 2020 Disposals in January, April, June and July 2020, respectively.

Further, the solar power plants of the Group which are located in certain provinces or regions in the PRC were affected by the influence of curtailment on energy generation during the Period, resulting in a decrease in power generation. As a result, the revenue from power generation in the PRC of the Group decreased by approximately RMB43 million and the power generation volume also recorded an estimated loss of approximately 54,000 MWh for the Period.

Discontinued operation

LED products

Revenue from the sales of LED chips, LED packages and other LED products increased by RMB91.8 million, or 41.4%, from RMB221.8 million for the corresponding period in 2020 to RMB313.6 million for the Period.

Cost of sales

With respect to the continuing operation, cost of sales decreased by RMB79.9 million, or 30.2%, from RMB264.4 million for the corresponding period in 2020 to RMB184.5 million for the Period, primarily because no depreciation of the 6 Target Companies in respect of the 2020 Disposals was recorded during the Period due to the fact that assets of each of the 6 Target Companies in respect of the 2020 Disposals were completed the share registration in July 2020.

Gross profit

With respect to the continuing operation, gross profit decreased by RMB135.8 million, or 43.0%, from RMB315.8 million for the corresponding period in 2020 to RMB180.0 million for the Period.

Other income

With respect to the continuing operation, other income decreased by RMB3.7 million, or 20.6%, from RMB18.0 million for the corresponding period in 2020 to RMB14.3 million for the Period, primarily due to that the imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets decreased by RMB4.2 million, or 25.5%, from RMB16.5 million for the corresponding period in 2020 to RMB12.3 million for the Period.

Other gains and losses

With respect to the continuing operation, other gains and losses recorded a net gain of RMB9.3 million for the Period, while a net loss of RMB313.1 million recorded for the corresponding period in 2020, which was primarily due to (i) an impairment loss recognised on assets classified as held for sale of RMB214.4 million recorded for the corresponding period in 2020, while there was no such impairment loss recognised for the Period, (ii) a loss on disposal of subsidiaries of RMB31.9 million recorded for the corresponding period in 2020, while there was no such loss on disposal of subsidiaries recorded for the Period and (iii) a net foreign exchange loss of RMB41.3 million recorded for the corresponding period in 2020, while a net foreign exchange gain of RMB26.9 million recorded for the Period.

Impairment losses under expected credit loss model, net of reversal

With respect to the continuing operation, a net of reversal of impairment loss under expected credit loss model recorded RMB2.6 million for the Period, while an impairment loss under expected credit loss model recorded RMB30.6 million for the corresponding period in 2020, which was primarily due to a loss allowance recognised on other receivables recorded RMB14.5 million for the corresponding period in 2020, while a loss allowance reversed on other receivables recorded RMB16.4 million for the Period.

Administrative expenses

With respect to the continuing operation, administrative and general expenses decreased by RMB23.0 million, or 38.3%, from RMB60.0 million for the corresponding period in 2020 to RMB37.0 million for the Period.

Share of profits of associates

With respect to the continuing operation, share of profits of associates for the Period increased by RMB0.45 million, or 41.3%, from RMB1.09 million for the corresponding period in 2020 to RMB1.54 million for the Period.

Finance costs

With respect to the continuing operation, finance costs decreased by RMB163.9 million, or 36.1%, from RMB453.5 million for the corresponding period in 2020 to RMB289.6 million for the Period, which was primarily due to the decrease in interest on bank and other borrowings by RMB166.9 million, or 41.7%, from RMB400.6 million for the corresponding period in 2020 to RMB233.7 million for the Period.

Loss before tax

With respect to the continuing operation, due to the above reasons, loss before tax decreased by RMB403.4 million from RMB522.3 million for the corresponding period in 2020 to RMB118.9 million for the Period.

Income tax expense

With respect to the continuing operation, income tax expense decreased by RMB1.8 million, or 78.3%, from RMB2.3 million for the corresponding period in 2020 to RMB0.5 million for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Loss for the Period from continuing operation

As a result of the reasons stated above, the loss for the Period of continuing operation decreased by RMB405.2 million from RMB524.6 million for the corresponding period in 2020 to RMB119.4 million for the Period.

Trade receivables turnover days

The trade receivables turnover days as at 30 June 2021 was 680.1 days.

Trade payables turnover days

The trade payables turnover days as at 30 June 2021 was 187.7 days. Given the established business relationship and the change in the overall market environment, the Group paid to the suppliers in due course based on the credit terms during the Period.

Indebtedness, liquidity, gearing ratio and capital structure

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings and other borrowings. As at 30 June 2021, the Group's current ratio (current assets divided by current liabilities) was 0.62 (31 December 2020: 0.56) and it was in a negative net cash position.

The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operation and meet its future development demands for capital. As at 30 June 2021, the Group was in a negative net cash position of RMB6,467.7 million (31 December 2020: a negative net cash position of RMB6,360.8 million), which included cash and cash equivalents of RMB16.0 million (31 December 2020: RMB226.7 million), bank and other borrowings of RMB5,353.1 million (31 December 2020: RMB5,440.0 million), convertible bonds of RMB545.2 million (31 December 2020: RMB529.1 million) and bonds payable of RMB585.4 million (31 December 2020: RMB618.4 million).

The Group's borrowings, cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from 7,658.8% as at 31 December 2020 to 14,630.3% as at 30 June 2021.

During the Period, the Group did not enter into any financial instrument for hedging purposes nor did the Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks (31 December 2020: Nil).

Contingent liabilities and guarantees

As at 30 June 2021, the Group provided guarantees to independent third parties and a related party with a total amount of RMB195.5 million (31 December 2020: RMB187.6 million), of which RMB195.5 million (31 December 2020: RMB187.6 million) was provided for and recognised as provision in the consolidated statement of financial position. As at 30 June 2021, save as disclosed above, the Group had no significant contingent liabilities.

Charges on the Group's assets

At the end of the reporting period, save as restricted bank deposits and the leased assets (i.e., machineries) under lease liabilities (31 December 2020: obligation under lease liabilities), the Group had pledged its 59% of equity interest in Lattice Power Group and 100% of equity interest in Shunfeng Photovoltaic Holdings Limited (31 December 2020: 59% of equity interest in Lattice Power Group and 100% of equity interest in Shunfeng Photovoltaic Holdings Limited). Meanwhile, in respect of 31 (31 December 2020: 31) subsidiaries of the Group which operated solar power generation, their entire equity interests and related assets were also pledged in order to obtain bank and other borrowings.

As at 30 June 2021, the Group had pledged certain trade and other receivables and contract assets with carrying amounts of RMB1,874.4 million (31 December 2020: RMB1,613.2 million) and solar power plants with carrying amounts of RMB2,612.0 million (31 December 2020: RMB2,661.7 million) to various banks and other financial institutions for securing loans and general credit facilities granted to the Group.

As at 30 June 2021, the Group had pledged property, plant and equipment, right-of-use assets and other deposits included in other non-current assets with carrying amounts of RMB93.9 million (31 December 2020: RMB102.2 million).

As at 30 June 2021, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB26.6 million (31 December 2020: RMB27.9 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 30 June 2021 and 31 December 2020, none of the other assets of the Group was pledged in favour of any financial institution.

Exposure to the fluctuation in exchange rates

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than RMB, which exposes the Group to foreign exchange risks. The Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile and control exchange exposure through arrangement of foreign currency forward contracts, and will consider hedging significant foreign currency exposure should the need arise.

Significant investments held and material acquisitions or disposals

As disclosed in the announcement of the Company dated 26 November 2019 and the circular of the Company dated 29 December 2019, on 15 November 2019 (after trading hours), Jiangxi Shunfeng Photovoltaic Investment Co., Ltd.* (江西順風光電投資有限公司), Shanghai Shunneng Investment Co., Ltd.* (上海順能投資有限公司) and Shijiazhuang Yakai New Energy Development Ltd.* (石家莊亞凱新能源開發有限公司) (the "Vendors", the indirectly wholly-owned subsidiaries of the Company), entered into 11 sale and purchase agreements (the "2019 Disposal Sale and Purchase Agreements") with Zhonghe Shandong Energy Co., Ltd.* (中核山東能源有限公司), pursuant to which the Vendors agreed to sell 100% of the equity interest in Hami Hengxin New Energy Technology Co., Ltd.* (哈密恒鑫新能源科技有限公司), Hami Junxin Photovoltaic Power Generation Co., Ltd.* (哈密浚鑫光伏發電有限公司), Hami Tianhong Solar Power Technology Co., Ltd.* (哈密天宏陽光太陽能科技有限公司), Hami Yixin New Energy Technology Co., Ltd.* (哈密益鑫新能源科技有限公司), Hebei Guowei New Energy Technology Co., Ltd.* (河北國威新能源科技有限公司), Jinchang Zhongke New Energy Co., Ltd.* (金昌市中科新能源有限公司), Pingluo Zhongdianke Energy Co., Ltd.* (平羅中電科能源有限公司), Shangde (Hami) Solar Power Generation Co., Ltd.* (尚德(哈密)太陽能發電有限公司), Sunan Yugur

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Autonomous County Zhongneng Changyeyuan Co., Ltd.* (肅南裕固族自治縣中能產業園有限公司), Wuwei Huadong Zhonghe New Energy Co., Ltd.* (武威華東眾合新能源有限公司), and Wuwei Jiuyuan Metal Components Co., Ltd.* (武威久源金屬構件有限公司) at aggregate consideration of RMB641,420,000 (the "2019 Disposals").

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the 2019 Disposal Sale and Purchase Agreements and the 2019 Disposals in aggregate exceed 75%, the 2019 Disposals constituted a very substantial disposal of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Shareholders' approval was obtained on 17 January 2020. The registration of share transfer of the 11 target companies was completed during the Period.

As disclosed in the announcement of the Company dated 18 March 2020 and the circular of the Company dated 15 June 2020, Jiangxi Shunfeng Photovoltaic Investment Co., Ltd.* (江西順風光電投資有限公司) and Shanghai Shunneng Investment Co., Ltd.* (上海順能投資有限公司), the indirectly wholly-owned subsidiaries of the Company, entered into 6 sale and purchase agreements (the "2020 Disposal Sale and Purchase Agreements") with Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司) on 16 March 2020, pursuant to which Jiangxi Shunfeng Photovoltaic Investment Co., Ltd. and Shanghai Shunneng Investment Co., Ltd. agreed to sell 100% of the equity interest in Akesu Datang New Energy Co., Ltd.* (阿克蘇大唐新能源有限公司), Yuepuhu Gaoke New Energy Power Generation Co., Ltd.* (岳普湖高科新能源發電有限公司), Heshuo Hengxin New Energy Technology Co., Ltd.* (和碩恒鑫新能源科技有限公司), Tulufan Lianxing New Energy Co., Ltd.* (吐魯番聯星新能源有限公司), Wensu Riyuehui New Energy Co., Ltd.* (溫宿縣日月輝新能源有限公司), and Hejing Yixin New Energy Technology Co., Ltd.* (和靜益鑫新能源科技有限公司) at an aggregate consideration of RMB181,139,954.86 (the "2020 Disposals").

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the 2020 Disposal Sale and Purchase Agreements and the 2020 Disposals in aggregate exceed 75%, the 2020 Disposals constituted a very substantial disposal of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Shareholders' approval was obtained on 2 July 2020. The registration of share transfer of the 6 Target Companies was completed in July 2020.

As disclosed in the announcement of the Company dated 31 December 2020, on 31 December 2020 (after trading hours), Lattice Power Corporation (晶能光電有限公司*) (an indirect non-wholly owned subsidiary of the Company) entered into the sale and purchase agreement with the Nanchang Guanggu Group Limited* (南昌光穀集團有限公司), pursuant to which the Lattice Power Corporation has conditionally agreed to sell, and the Nanchang Guanggu Group Limited has conditionally agreed to purchase the target interest, representing 100% of the equity interests in the Lattice Power (Jiangxi) Co., Ltd.* (晶能光電(江西)有限公司), at an aggregate consideration of RMB670 million (the "Lattice Power Disposal").

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Lattice Power Disposal and the transactions contemplated thereunder exceed 25% but all of the applicable percentage ratios are less than 75%, the Lattice Power Disposal and the transactions contemplated thereunder constitute a major disposal of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Nanchang Guanggu Group Limited is held as to 61.54% by Mr. Wang Min, a director of the Lattice Power Corporation, which is an indirect non-wholly owned subsidiary of the Company, and therefore Nanchang Guanggu Group Limited is a connected person of the Company, the Lattice Power Disposal and the transactions contemplated thereunder also constitute a connected transaction of the Company which is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' approval was obtained on 13 July 2021. The Lattice Power Disposal is expected to be completed on or before 30 September 2021.

Human resources

As at 30 June 2021, the Group had 1,121 employees, which was inclusive of 1,027 employees in respect of the discontinued operation. The remuneration packages for the current employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Interim dividend

The Board has resolved not to declare an interim dividend during the Period.

Events subsequent to the Period

Reference is made to the announcements of the Company dated 16 August 2021 and 24 August 2021, on 13 August 2021 (after trading hours), Jiangxi Shunfeng Photovoltaic Investment Co., Ltd.* (江西順風光電投資有限公司) and Shanghai Shunneng Investment Co., Ltd.* (上海順能投資有限公司), the indirectly wholly-owned subsidiaries of the Company and Shenzhen Shangde Solar Power Electricity Co., Ltd.* (深圳尚德太陽能電力有限公司), entered into 7 sale and purchase agreements (the "2021 Possible Disposal Sale and Purchase Agreements") with China Power Investment Xinjiang Energy Chemical Engineering Group Akesu Co., Ltd.* (中電投新疆能源化工集團阿克蘇有限公司), pursuant to which Jiangxi Shunfeng Photovoltaic Investment Co., Ltd, Shanghai Shunneng Investment Co., Ltd and Shenzhen Shangde Solar Power Electricity Co., Ltd have conditionally agreed to sell, and the China Power Investment Xinjiang Energy Chemical Engineering Group Akesu Co., Ltd has conditionally agreed to purchase, 100% of the equity interests in 7 target companies including Baoshan Changshan Shunfeng Shangde New Energy Co., Ltd* (保山長山順風尚德新能源有限公司), Shufu County Junxin Technology Photovoltaic Power Generation Co., Ltd* (疏附縣浚鑫科技光伏發電有限公司), Kezhou Baishide New Energy Development Co., Ltd* (克州百事德新能源開發有限公司), Maigaiti Jintan Zhengxin New Energy Technology Co., Ltd* (麥蓋提金壇正信新能源科技有限公司), Wushi Longbai Electricity Investment Co., Ltd* (烏什龍柏電力投資有限公司), Yingjiasha County Rongxin Tianhe New Energy Co., Ltd* (英吉沙縣融信天和新能源有限責任公司), and Shufu County Zhongjiancai New Energy Photovoltaic Power Generation Co., Ltd* (疏附縣中建材新能源光伏發電有限公司), at an aggregate consideration of RMB537.6 million (the "2021 Possible Disposals").

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the 2021 Possible Disposals Sale and Purchase Agreements and the 2021 Possible Disposals in aggregate exceed 75%, the 2021 Possible Disposals constituted a very substantial disposal of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular is expected to be despatched to the Shareholders on or before 30 September 2021.

FUTURE PROSPECT

Following completion of the 2019 Disposals and the 2020 Disposals and upon completion of the Lattice Power Disposal and the 2021 Possible Disposals, the Group will focus on the solar power businesses in the PRC including the development and management of solar power plants and manufacturing related equipment.

The Group is also actively considering other ways to raise funds for the Group, including but not limited to alternative refinancing, extension of maturity dates of debts and/or further disposal of solar power plants, if appropriate (the "Proposed Plans"). Once the Proposed Plans are fully or partly implemented, they are expected to strengthen the financial stability and shareholding and asset structure of the Group and support its long term strategic development. Any Proposed Plan will be subject to compliance with the Listing Rules and, if applicable, the approval of the Hong Kong Stock Exchange or the Shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION



COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the Period.

COMPLIANCE WITH THE MODEL CODE

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Period.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed and agreed with the management of the Group on the accounting principles, treatment and practices adopted by the Group and discussed with the Directors the internal controls and financial reporting matters, including the review of the interim results and the unaudited condensed consolidated interim financial statements for the Period. The Audit Committee, together with management and the external auditor of the Company, BDO Limited, have reviewed the unaudited interim condensed consolidated financial statements of the Company for the six months ended 30 June 2021. The Audit Committee considered that the interim financial statements for the Period are in compliance with the relevant accounting standards, the requirements of the Hong Kong Stock Exchange and the laws of Hong Kong, and that the Company has made appropriate disclosure thereof.

EXTRACT FROM THE REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is an extract of the review report on the Group's unaudited interim condensed consolidated financial statements for the Period:

'Basis for Disclaimer of Conclusion

1. Multiple Uncertainties Related to Going Concern

As set out in Note 1 to the interim condensed consolidated financial statements, the Group incurred a net loss of RMB38,921,000 during the six months ended 30 June 2021. In addition, as at 30 June 2021, the Group's equity attributable to owners of the Company had a deficit of RMB1,592,174,000 and the Group's current liabilities exceeded its current assets by RMB2,673,924,000.

As set out in Note 24 to the interim condensed consolidated financial statements, the Group's bank and other borrowings amounted to RMB3,210,943,000 were included as current liabilities as at 30 June 2021, out of which RMB2,969,405,000 were immediately repayable as at 30 June 2021.

Further, as set out in Note 26 to the interim condensed consolidated financial statements, the 2015 Corporate Bond (as defined in Note 1 to the interim condensed consolidated financial statements), including the outstanding principal of RMB329,909,000 and unpaid interest of RMB61,072,000 as at 30 June 2021 have been overdue and became immediately repayable as of that date.

However, the Group maintained cash and cash equivalents of RMB15,999,000 as at 30 June 2021 only.

These conditions, along with others matters as set forth in Note 1 to the interim condensed consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern, and therefore the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to enable the Group to meet with its financing needs, the Group continues to implement a series of plans and measures which comprise, inter alia, (i) progressing the collection of the remaining proceeds from the disposal of the 11 Target Companies (as defined in Note 28 to the interim condensed consolidated financial statements) and the 6 Target Companies (as defined in Note 6 to the interim condensed consolidated financial statements); (ii) completing the disposal of Lattice Power (Jiangxi) Group (as defined in Note 10 to the interim condensed consolidated financial statements); (iii) proceeding the proposed disposal of the 7 Target Companies (as defined in Note 33 to the interim condensed consolidated financial statements); (iv) proceeding with the Possible Disposals of Further Solar Power Plants (as defined in Note 1 to the interim condensed consolidated financial statements) on similar terms and conditions as previous disposals; and (v) continuing to negotiate with banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates of the bank and borrowings which had been overdue or breached certain loan covenants.

The details of the plans and measures have been set out in Note 1 to the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the financial support provided by the controlling shareholder and the outcome of the plans and measures as detailed in Note 1 to the interim condensed consolidated financial statements. The financial support provided by controlling shareholder and outcome of plans and measures are subject to multiple uncertainties, including:

- (i) whether the Group is able to collect the remaining sale proceeds in respect of the disposal of 11 Target Companies and the 6 Target Companies in accordance with the amount and timing expected by the Company;
- (ii) whether the Group is able to complete the disposal of Lattice Power (Jiangxi) Group and the proposed disposal of the 7 Target Companies and collect the sale proceeds in accordance with the amount and timing expected by the Company;
- (iii) whether the Group is able to seek buyers and complete the Possible Disposals of Further Solar Power Plants in order to collect the proceeds in accordance with the terms and conditions, amount and timing expected by the Company;
- (iv) whether the Group is able to convince its creditors (including bank and other borrowings and bond payables) to allow the Group to repay or partially repay the amounts due according to the Group's expected repayment time and amount and allow the Group to further extend the repayment in accordance with the timetable and milestones of payment from the Group's disposals and the Possible Disposal of Further Solar Power Plants;

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

- (v) whether the Group is able to obtain consent from both the lenders and buyers in respect of the debt assumption arrangement for the buyers to assume the bank and other borrowings held by the group entities involving in the Possible Disposals of Further Solar Power Plants;
- (vi) whether the creditors will agree not to exercise their right to demand for immediate payment in respect of the Group's bank and other borrowings that had breached certain loan covenants;
- (vii) whether the Group is able to convince banks, financial institutions and other counterparties to further delay the debt repayment of those bank and other borrowings which will be matured within twelve months after the end of the reporting period; and
- (viii) whether there is any event or circumstance that will affect the capability of controlling shareholder to provide the financial support to the Group.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments have not been reflected in these interim condensed consolidated financial statements.

We disclaimed the auditor opinion on the consolidated financial statements for the year ended 31 December 2020 ("2020 consolidated financial statements") and the review conclusion on the interim condensed consolidated financial statements for the six months ended 30 June 2020 ("2020 interim condensed consolidated financial statements") relating to the going concern basis of preparing the consolidated financial statements. Any adjustments to the balances as at 31 December 2020 would affect the balances of these interim condensed consolidated financial statements items as at 1 January 2021 and the corresponding movements, if any, during the six months ended 30 June 2021. The balances as at 31 December 2020 and the amounts for the six months ended 30 June 2020 are presented as corresponding figures in these interim condensed consolidated financial statements. We disclaimed our review conclusion on the interim condensed consolidated financial statements for the six months ended 30 June 2021 ("2021 interim condensed consolidated financial statements") also for the possible effect of the disclaimer of audit opinion on 2020 consolidated financial statements and the disclaimer of conclusion on 2020 interim condensed consolidated financial statements on the comparability of 2021 figures and 2020 figures in these interim condensed consolidated financial statements.

2. Limitation of scope of work on disposal of 11 Target Companies in 2020

On 15 November 2019, the Company entered into 11 sale and purchase agreements with an independent third party to dispose of its 100% equity interest in the 11 Target Companies (as defined in Note 28 to the interim condensed consolidated financial statements). The disposal of the 11 Target Companies had been completed during the six months ended 30 June 2020 and the Group recorded a loss on disposal of RMB31,939,000 for the six months ended 30 June 2020.

We were engaged to review the 2020 interim condensed consolidated financial statements after the completion of the disposal of the 11 Target Companies. During our review of 2020 interim condensed consolidated financial statements, the directors of the Company were unable to grant us the access to the books and records and the relevant information of the 11 Target Companies because the 11 Target Companies were no longer subsidiaries of the Group and management of the 11 Target Companies denied the Group's directors and our access to the books and records and other information of the 11 Target Companies. As a result, we were unable to perform review procedures that we considered necessary and determine whether any adjustments might be necessary in respect of (i) the income and expenses of the 11 Target Companies for the period from 1 January 2020 to the respective dates of disposal; and (ii) the loss on disposal of the 11 Target Companies amounted to RMB31,939,000. Accordingly, together with other matters, we disclaimed our review conclusion on 2020 interim condensed consolidated financial statements.

The income and expenses of the 11 Target Companies for the period from 1 January 2020 to the respective disposal dates and the loss on disposal of the 11 Target Companies amounted to RMB31,939,000 had been included as comparative information in 2021 interim condensed consolidated financial statements. We disclaimed our review conclusion on 2021 interim condensed consolidated financial statements also for the possible effect of limitation of scope of our work of 2020 interim condensed consolidated financial statements on the comparability of the related 2021 figures and 2020 figures in these interim condensed consolidated financial statements.

DISCLAIMER OF CONCLUSION

Due to the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on these interim condensed consolidated financial statements and because we have not been able to obtain sufficient appropriate evidence on the corresponding figures of the matter as described in the "Basis for Disclaimer of Conclusion" paragraphs above, we do not express a conclusion on these interim condensed consolidated financial statements.'

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the Period.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code were as follows:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Mr. Wang Yu	Beneficial owner	27,345,588 (long position)	0.55%
Mr. Zhang Fubo	Beneficial owner	9,918,000 (long position)	0.20%

Note:

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2021, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVE

No arrangements to which the Company, its subsidiary, its holding company or a subsidiary of its holding company is or was a party to enable the Directors and the chief executive of the Company to acquire benefits by means of acquisitions of shares in or debentures of the Company or any other body corporate subsisted at the end of the Period or at any time during the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and the chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Peace Link Services Limited	Beneficial owner (Note 1)	2,599,335,467 (long position)	52.17%
Asia Pacific Resources Development Investment Limited	Beneficial owner and interest of controlled corporation (Note 2)	2,674,892,658 (long position)	53.69%
Mr. Cheng Kin Ming	Beneficial owner and interest of controlled corporation (Note 3)	2,681,844,658 (long position)	53.83%
Faithsmart Limited	Interest of controlled corporation (Note 4)	2,674,892,658 (long position)	53.69%
Coherent Gallery International Limited	Beneficial owner (Note 5)	268,223,960 (long position)	5.38%
Mr. Tang Guoqiang	Interest of controlled corporation (Note 6)	437,118,989 (long position)	8.77%
Bank of Communications Co., Ltd	Person having a security interest in shares (Note 7)	619,230,457 (long position)	12.43%

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Notes:

1. Peace Link Services Limited is wholly owned by Faithsmart Limited which is in turn wholly owned by Mr. Cheng Kin Ming. As at 30 June 2021, 1,085,028,449 Shares were allotted and issued to Peace Link Services Limited upon the exercise in full of the conversion rights attaching to the convertible bonds subscribed by Peace Link Services Limited pursuant to the subscription agreement dated 31 December 2012, 28 June 2013 and 29 November 2013 entered into with the Company. Peace Link Services Limited held 1,400,942,101 shares in its personal capacity.
2. Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited and, therefore, Asia Pacific Resources Development Investment Limited is deemed to be interested in 2,599,335,467 Shares held by Peace Link Services Limited for the purpose of the SFO. Asia Pacific Resources Development Investment Limited held 75,557,191 Shares in its personal capacity.
3. Mr. Cheng Kin Ming is the beneficial owner of 100% shareholding in Faithsmart Limited. In turn, Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited, and in turn, Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited. Therefore, Mr. Cheng Kin Ming is deemed to be interested in 2,674,892,658 Shares held by Asia Pacific Resources Development Investment Limited and Peace Link Services Limited, and Mr. Cheng Kin Ming held 3,452,000 Shares in his personal capacity.
4. Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited and, therefore, Faithsmart Limited is deemed to be interested in 2,674,892,658 Shares held by Asia Pacific Resources Development Investment Limited for the purpose of the SFO.
5. Coherent Gallery International Limited is wholly owned by Mr. Tang Guoqiang.
6. Mr. Tang Guoqiang is the beneficial owner of 100% shareholding in Coherent Gallery International Limited and, therefore, Mr. Tang Guoqiang is deemed to be interested in 268,223,960 Shares held by Coherent Gallery International Limited for the purposes of the SFO.
7. Bank of Communications Co., Ltd enforced its right in 619,230,457 Shares it held by way of security as a lender on 25 November 2020.

Save as the disclosed above, to the best knowledge of the Directors, as at 30 June 2021, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

PUBLICATION OF INTERIM REPORT

This interim report containing the relevant information required by the Listing Rules is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (<http://www.sfcegroup.com>).

By Order of the Board
Wang Yu
Chairman
Hong Kong

28 September 2021

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE BOARD OF DIRECTORS OF SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We were engaged to review the interim condensed consolidated financial statements set out on pages 26 to 95, which comprise the condensed consolidated statement of financial position of Shunfeng International Clean Energy Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Due to the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on these interim condensed consolidated financial statements and because we have not been able to obtain sufficient appropriate evidence on the corresponding figures of the matter as described in the "Basis for Disclaimer of Conclusion" paragraphs, we were not able to express a conclusion on the interim condensed consolidated financial statements.

BASIS FOR DISCLAIMER OF CONCLUSION

1. Multiple Uncertainties Related to Going Concern

As set out in Note 1 to the interim condensed consolidated financial statements, the Group incurred a net loss of RMB38,921,000 during the six months ended 30 June 2021. In addition, as at 30 June 2021, the Group's equity attributable to owners of the Company had a deficit of RMB1,592,174,000 and the Group's current liabilities exceeded its current assets by RMB2,673,924,000.

As set out in Note 24 to the interim condensed consolidated financial statements, the Group's bank and other borrowings amounted to RMB3,210,943,000 were included as current liabilities as at 30 June 2021, out of which RMB2,969,405,000 were immediately repayable as at 30 June 2021.

BDO Limited
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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

BASIS FOR DISCLAIMER OF CONCLUSION (CONTINUED)

1. Multiple Uncertainties Related to Going Concern (Continued)

Further, as set out in Note 26 to the interim condensed consolidated financial statements, the 2015 Corporate Bond (as defined in Note 1 to the interim condensed consolidated financial statements), including the outstanding principal of RMB329,909,000 and unpaid interest of RMB61,072,000 as at 30 June 2021 have been overdue and became immediately repayable as of that date.

However, the Group maintained cash and cash equivalents of RMB15,999,000 as at 30 June 2021 only.

These conditions, along with others matters as set forth in Note 1 to the interim condensed consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern, and therefore the Group may not be able to realise its assets and discharges its liabilities in the normal course of business.

In order to enable the Group to meet with its financing needs, the Group continues to implement a series of plans and measures which comprise, inter alia, (i) progressing the collection of the remaining proceeds from the disposal of the 11 Target Companies (as defined in Note 28 to the interim condensed consolidated financial statements) and the 6 Target Companies (as defined in Note 6 to the interim condensed consolidated financial statements); (ii) completing the disposal of Lattice Power (Jiangxi) Group (as defined in Note 10 to the interim condensed consolidated financial statements); (iii) proceeding the proposed disposal of the 7 Target Companies (as defined in Note 33 to the interim condensed consolidated financial statements); (iv) proceeding with the Possible Disposals of Further Solar Power Plants (as defined in Note 1 to the interim condensed consolidated financial statements) on similar terms and conditions as previous disposals; and (v) continuing to negotiate with banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates of the bank and other borrowings which had been overdue or breached certain loan covenants.

The details of the plans and measures have been set out in Note 1 to the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the financial support provided by controlling shareholder and the outcome of the plans and measures as detailed in Note 1 to the interim condensed consolidated financial statements. The financial support provided by controlling shareholder and the outcome of plans and measures are subject to multiple uncertainties, including:

- (i) whether the Group is able to collect the remaining sale proceeds in respect of the disposal of the 11 Target Companies and the 6 Target Companies in accordance with the amount and timing expected by the Company;
- (ii) whether the Group is able to complete the disposal of Lattice Power (Jiangxi) Group and the proposed disposal of the 7 Target Companies and collect the sale proceeds in accordance with the amount and timing expected by the Company;
- (iii) whether the Group is able to seek buyers and complete the Possible Disposals of Further Solar Power Plants in order to collect the proceeds in accordance with the terms and conditions, amount and timing expected by the Company;

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

BASIS FOR DISCLAIMER OF CONCLUSION (CONTINUED)

1. Multiple Uncertainties Related to Going Concern (Continued)

- (iv) whether the Group is able to convince its creditors (including bank and other borrowings and bond payables) to allow the Group to repay or partially repay the amounts due according to the Group's expected repayment time and amount and allow the Group to further extend the repayment in accordance with the timetable and milestones of payment from the Group's disposals and the Possible Disposal of Further Solar Power Plants;
- (v) whether the Group is able to obtain consent from both the lenders and buyers in respect of the debt assumption arrangement for the buyers to assume the bank and other borrowings held by the group entities involving in the Possible Disposals of Further Solar Power Plants;
- (vi) whether the creditors will agree not to exercise their right to demand for immediate payment in respect of the Group's bank and other borrowings that had breached certain loan covenants;
- (vii) whether the Group is able to convince banks, financial institutions and other counterparties to further delay the debt repayment of those bank and other borrowings which will be matured within twelve months after the end of the reporting period; and
- (viii) whether there is any event or circumstance that will affect the capability of controlling shareholder to provide the financial support to the Group.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments have not been reflected in these interim condensed consolidated financial statements.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

BASIS FOR DISCLAIMER OF CONCLUSION (CONTINUED)

1. Multiple Uncertainties Related to Going Concern (Continued)

We disclaimed the auditor opinion on the consolidated financial statements for the year ended 31 December 2020 ("2020 consolidated financial statements") and the review conclusion on the interim condensed consolidated financial statements for the six months ended 30 June 2020 ("2020 interim condensed consolidated financial statements") relating to the going concern basis of preparing the consolidated financial statements. Any adjustments to the balances as at 31 December 2020 would affect the balances of these interim condensed consolidated financial statements items as at 1 January 2021 and the corresponding movements, if any, during the six months ended 30 June 2021. The balances as at 31 December 2020 and the amounts for the six months ended 30 June 2020 are presented as corresponding figures in these interim condensed consolidated financial statements. We disclaimed our review conclusion on the interim condensed consolidated financial statements for the six months ended 30 June 2021 ("2021 interim condensed consolidated financial statements") also for the possible effect of the disclaimer of audit opinion on 2020 consolidated financial statements and the disclaimer of conclusion on 2020 interim condensed consolidated financial statements on the comparability of 2021 figures and 2020 figures in these interim condensed consolidated financial statements.

2. Limitation of scope of work on disposal of 11 Target Companies in 2020

On 15 November 2019, the Company entered into 11 sale and purchase agreements with an independent third party to dispose of its 100% equity interest in the 11 Target Companies. The disposal of the 11 Target Companies had been completed during the six months ended 30 June 2020 and the Group recorded a loss on disposal of RMB31,939,000 for the six months ended 30 June 2020.

We were engaged to review the 2020 interim condensed consolidated financial statements after the completion of the disposal of the 11 Target Companies. During our review of 2020 interim condensed consolidated financial statements, the directors of the Company were unable to grant us the access to the books and records and the relevant information of the 11 Target Companies because the 11 Target Companies were no longer subsidiaries of the Group and management of the 11 Target Companies denied the Group's directors and our access to the books and records and other information of the 11 Target Companies. As a result, we were unable to perform review procedures that we considered necessary and determine whether any adjustments might be necessary in respect of (i) the income and expenses of the 11 Target Companies for the period from 1 January 2020 to the respective dates of disposal; and (ii) the loss on disposal of the 11 Target Companies amounted to RMB31,939,000. Accordingly, together with other matters, we disclaimed our review conclusion on 2020 interim condensed consolidated financial statements.

The income and expenses of the 11 Target Companies for the period from 1 January 2020 to the respective disposal dates and the loss on disposal of the 11 Target Companies amounted to RMB31,939,000 had been included as comparative information in 2021 interim condensed consolidated financial statements. We disclaimed our review conclusion on 2021 interim condensed consolidated financial statements also for the possible effect of limitation of scope of our work of 2020 interim condensed consolidated financial statements on the comparability of the related 2021 figures and 2020 figures in these interim condensed consolidated financial statements.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DISCLAIMER OF CONCLUSION

Due to the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on these interim condensed consolidated financial statements and because we have not been able to obtain sufficient appropriate evidence on the corresponding figures of the matter as described in the "Basis for Disclaimer of Conclusion" paragraphs above, we do not express a conclusion on these interim condensed consolidated financial statements.

BDO Limited

Certified Public Accountants

Au Yiu Kwan

Practising Certificate Number P05018

Hong Kong, 30 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	NOTES	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
Continuing operation			
Revenue	3	364,493	580,253
Cost of sales		(184,525)	(264,419)
Gross profit		179,968	315,834
Other income	5	14,280	18,034
Other gains and losses	6	9,260	(313,107)
Impairment losses under expected credit loss model, net of reversal	7	2,559	(30,625)
Administrative expenses		(36,985)	(60,028)
Share of profits of associates		1,539	1,090
Finance costs	8	(289,567)	(453,484)
Loss before tax	9	(118,946)	(522,286)
Income tax expense	11	(486)	(2,301)
Loss for the period from continuing operation		(119,432)	(524,587)
Discontinued operation			
Profit for the period from discontinued operation	10	80,511	56,007
Loss for the period		(38,921)	(468,580)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		77	222
Fair value gain on receivables at fair value through other comprehensive income ("FVTOCI")		—	78
Other comprehensive income for the period		77	300
Total comprehensive income for the period		(38,844)	(468,280)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2021

	NOTE	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
(Loss)/Profit for the period attributable to owners of the Company			
– from continuing operation		(118,664)	(524,872)
– from discontinued operation		47,888	33,313
Loss for the period attributable to owners of the Company		(70,776)	(491,559)
(Loss)/Profit for the period attributable to non-controlling interests			
– from continuing operation		(768)	285
– from discontinued operation		32,623	22,694
Profit for the period attributable to non-controlling interests		31,855	22,979
Total comprehensive income for the period attributable to:			
Owners of the Company		(70,669)	(491,401)
Non-controlling interests		31,825	23,121
		(38,844)	(468,280)
From continuing and discontinued operations	13	RMB cents	RMB cents
Loss per share			
– Basic		(1.42)	(9.86)
– Diluted		(1.42)	(9.86)
From continuing operation	13	RMB cents	RMB cents
Loss per share			
– Basic		(2.38)	(10.53)
– Diluted		(2.38)	(10.53)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTES	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	14	51,371	257,989
Right-of-use assets	15	96,053	155,315
Solar power plants	16	4,495,219	4,650,831
Intangible assets		2,081	2,410
Interests in associates		35,303	33,764
Interest in a joint venture		—	—
Financial assets at fair value through profit or loss ("FVTPL")		1,000	2,207
Other non-current assets		93,315	109,668
Value-added tax recoverable — non-current		228,243	294,378
Contract assets — non-current	18	381,451	346,664
		5,384,036	5,853,226
Current assets			
Inventories		—	83,092
Trade and other receivables	19	1,690,737	1,769,295
Receivables at FVTOCI		437	9,527
Financial assets at fair value through profit or loss ("FVTPL")		—	10,338
Value-added tax recoverable		65,479	58,265
Prepayments to suppliers		5,569	33,232
Amounts due from the related parties	20	1,634,063	1,636,801
Restricted bank deposits		26,591	27,948
Bank balances and cash		15,999	226,746
		3,438,875	3,855,244
Assets classified as held for sale	17	910,078	—
		4,348,953	3,855,244
Current liabilities			
Trade and other payables	21	1,065,029	1,141,654
Contract liabilities		—	12,826
Amounts due to the related parties	22	1,650,375	1,651,233
Lease liabilities		16,419	17,194
Provisions	23	195,490	187,646
Tax liabilities		847	8,143
Bank and other borrowings	24	3,210,943	3,219,869
Convertible bonds	25	37,376	37,376
Bond payables	26	585,372	618,363
		6,761,851	6,894,304
Liabilities associated with assets classified as held for sale	17	261,026	—
		7,022,877	6,894,304

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

	NOTES	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Net current liabilities		(2,673,924)	(3,039,060)
Total assets less current liabilities		2,710,112	2,814,166
Capital and reserves			
Share capital	27	40,756	40,756
Reserves		(1,632,930)	(1,515,141)
Equity attributable to owners of the Company		(1,592,174)	(1,474,385)
Non-controlling interests		1,636,381	1,557,436
Total equity		44,207	83,051
Non-current liabilities			
Deferred tax liabilities		—	3,555
Bank and other borrowings	24	2,142,125	2,220,106
Lease liabilities		15,967	15,691
Convertible bonds	25	507,813	491,763
		2,665,905	2,731,115
		2,710,112	2,814,166

The interim condensed consolidated financial statements on pages 26 to 95 were approved and authorised for issue by the board of directors on 30 August 2021 and are signed on its behalf by:

DIRECTOR
Wang Yu

DIRECTOR
Lu Bin

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	FVTOCI reserve RMB'000	Exchange reserve RMB'000	Convertible bonds equity reserve RMB'000 (Note b)	Share-based payment reserve RMB'000 (Note c)	Accumulated deficits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020 (Audited)	40,756	6,076,424	(2,209,091)	(412)	5,169	879,850	119,369	(5,781,165)	(869,100)	1,453,733	584,633
(Loss)/Profit for the period	—	—	—	—	—	—	—	(491,559)	(491,559)	22,979	(468,580)
Other comprehensive income for the period	—	—	—	112	46	—	—	—	158	142	300
Total comprehensive income for the period	—	—	—	112	46	—	—	(491,559)	(491,401)	23,121	(468,280)
Transfer of profit for the period in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (Note d)	—	—	—	—	—	—	—	(33,309)	(33,309)	33,309	—
At 30 June 2020 (Unaudited)	40,756	6,076,424	(2,209,091)	(300)	5,215	879,850	119,369	(6,306,033)	(1,393,810)	1,510,163	116,353
At 1 January 2021 (Audited)	40,756	6,076,424	(2,209,091)	(356)	5,029	879,850	119,369	(6,386,366)	(1,474,385)	1,557,436	83,051
(Loss)/Profit for the period	—	—	—	—	—	—	—	(70,776)	(70,776)	31,855	(38,921)
Other comprehensive income for the period	—	—	—	—	107	—	—	—	107	(30)	77
Total comprehensive income for the period	—	—	—	—	107	—	—	(70,776)	(70,669)	31,825	(38,844)
Transfer of profit for the period in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (Note d)	—	—	—	—	—	—	—	(47,120)	(47,120)	47,120	—
At 30 June 2021 (Unaudited)	40,756	6,076,424	(2,209,091)	(356)	5,136	879,850	119,369	(6,504,262)	(1,592,174)	1,636,381	44,207

Notes:

a. Special reserve mainly include:

- i the special reserve arose on a group reorganisation ("Group Reorganisation") in preparation for listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in year 2011. The shareholders of the Company made a contribution of an aggregate amount of approximately RMB233,968,000 to the Company for the purpose to acquire the entire equity interests of Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. ("Jiangsu Shunfeng"). The difference between the acquisition consideration paid and the paid-in capital and capital reserve of Jiangsu Shunfeng acquired of approximately RMB30,004,000 is regarded as special reserve arising on Group Reorganisation; and
- ii the carrying amount of the Group's interest in relation to Jiangsu Changshun and Nine Disposal Entities in respect of the Group's 2015 Proposed Disposal transaction as detailed in Note 2B(i)(e) as at 18 December 2015 to non-controlling interests as to reflect the transfer of their equity interests to Chongqing Future completed on 18 December 2015.

A Termination Agreement (as defined in Note 2B(i)(e)) was entered into to terminate the 2015 Proposed Disposal with immediate effect on 21 June 2016. As at 31 December 2016, the entire equity interest of Jiangsu Changshun has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities kept being accounted for as non-controlling interests.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2021

Notes: (Continued)

a. Special reserve mainly include: (Continued)

- iii On 30 September 2019, the Group completed the disposal of the Disposal Group (as defined and detailed in Note 12A in the annual report of 2019). RMB1,797,661,000 was debited to special reserve, representing the excess of the carrying amount of net assets disposed of over the consideration, which was considered as a deemed distribution made to the owner of the Company, since Asia Pacific Resources Development Investment Limited ("Asia Pacific Resources") is indirect wholly-owned and controlled by Mr. Cheng, a substantial shareholder of the Company, constituting transaction with owner in its capacity as owner.
- iv During the year ended 31 December 2019, Peace Link Services Limited ("Peace Link"), one of the bondholders and a company beneficially owned by Mr. Cheng, had entered into a legally binding deed of waiver and undertaking in favour of the Company, pursuant to which Peace Link, conditional upon completion of the disposal of the Disposal Group, agreed to waive the repayment and redemption obligations of the Company in respect of principal amount of HKD1,948,000,000 (equivalent to RMB1,546,032,000) of the Third CB (as defined in Note 25(c)) held by Peace Link for no consideration. The Third CB originally will be matured on 15 April 2024. The waiver of the Third CB had become effective since 14 October 2019.

As a result, the carrying amount of the Third CB of RMB652,693,000 had been derecognised and credited to special reserve as deemed capital contribution from the shareholder with the corresponding convertible bonds equity reserve of RMB820,718,000 reclassified to the accumulated deficits.

b. Convertible bonds equity reserve represents the value of the equity conversion component of the convertible bonds as set out in Note 25.

c. On 20 May 2015, the Company entered into share purchase agreements with the existing shareholders of and individuals holding options in Lattice Power Corporation (collectively referred to as the "Sellers") in relation to the acquisition of 59% of the equity interest in Lattice Power Corporation (together with its subsidiaries collectively referred to as the "Lattice Power Group"), for a consideration which shall be satisfied in full by the Company allotting and issuing 392,307,045 new shares to the Sellers. Lattice Power Corporation is a company incorporated in Cayman Islands and is principally engaged in manufacturing and sales of LED products. The acquisition was completed on 6 August 2015 and Lattice Power Corporation has become an indirectly held subsidiary of the Company. The acquisition of Lattice Power Corporation has been accounted for as business combination.

One of the Sellers, Asia Pacific Resources, a limited company incorporated in the British Virgin Islands, is indirectly wholly-owned by a substantial shareholder of the Company. The 9,453,921 shares acquired by the Group from Asia Pacific Resources account for 11.46% of the equity interest in Lattice Power Group.

On 18 April 2006, Lattice Power Corporation approved the 2006 Global Share Plan (the "2006 ESOP") and common shares of Lattice Power Corporation were reserved to grant to its employees, directors and consultants in certain years. As of 5 August 2015, a total number of 28,000,000 options have been granted to the employees, directors and consultants of Lattice Power Group.

On 6 August 2015, the date on which Lattice Power Group was acquired by the Group, pursuant to the agreement entered into between the Company and the ESOP option holders (the "ESOP Sellers"), the Company acquired from the ESOP Sellers 14,280,000 common shares of Lattice Power Corporation, which were converted from 51% of the outstanding options granted (the "51% ESOP Completion"). The 2006 ESOP was terminated prior to the 51% ESOP Completion but the remaining 49% of the outstanding options, with a total number of 13,720,000 convertible shares in accordance with the original terms according to the 2006 ESOP would continue to be valid after the 51% ESOP Completion ("49% Outstanding Options"). Please refer to Note 48 of the annual report of 2016 for details.

Share-based payment reserve represents the recognition of share-based payments of Lattice Power Group, being the remuneration cost for post-combination service.

d. Profit for the period related to Jiangsu Changshun and the Nine Disposal Entities consolidated to the Group was transferred from the Group's accumulated deficits to non-controlling interests. Although the 2015 Proposed Disposal had been terminated on 31 December 2016, the legal ownership of Jiangsu Changshun and the Nine Disposal Entities was still kept by Chongqing Future and had not yet been transferred back to the Group and in the opinion of the directors of the Company, the related profit for both periods should also be accounted for as "non-controlling interests" as at 30 June 2021 and 2020, accordingly.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net cash generated from/(used in) operating activities	127,556	(199,818)
Investing activities		
Withdrawal of restricted bank deposits	8,547	48,285
Receipt from government grants	—	25,655
Bank interest income received	459	1,144
Loan advanced to independent third parties	—	(829)
Loan repayment from independent third parties	14,899	356
Placement of restricted bank deposits	(67,918)	(6,963)
Payments of property, plant and equipment	(37,165)	(12,636)
Payments for construction cost in respect of solar power plants	(7,130)	(61,347)
Purchases of intangible assets	(181)	(35)
Proceeds on disposal of property, plant and equipment (Note 14)	—	5,423
Payment for acquisition of financial assets at FVTPL	(1,000)	—
Receipt of consideration receivables in respect of disposal of the 11 Target Companies and the 6 Target Companies	153,941	399,811
Receipt of consideration receivables from deemed disposal of a subsidiary	23,279	—
Net cash generated from investing activities	87,731	398,864
Financing activities		
New bank and other borrowings raised	10,000	62,929
Repayment of bank and other borrowings	(104,759)	(129,351)
Interest paid for bank and other borrowings	(88,345)	(57,716)
Interest paid for convertible bonds	(6,328)	—
Repayment of lease liabilities	(900)	(3,029)
Repayment of bond payables	(32,991)	—
Advance from independent third parties	—	5,331
Repayment to independent third parties	(1,168)	(968)
Net cash used in financing activities	(224,491)	(122,804)
Net (decrease)/increase in cash and cash equivalents	(9,204)	76,242
Cash and cash equivalents at beginning of the period	226,746	89,703
Bank balance of Lattice Power (Jiangxi) Group/6 Target Companies eliminated upon transfer to assets classified as held for sale	(201,620)	(2,312)
Effect of exchange rate change for the period	77	139
Cash and cash equivalents at end of the period, represented by bank balances and cash	15,999	163,772

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The directors of the Company have given careful consideration to the going concern of the Group in light of the fact that the Group incurred a net loss of RMB38,921,000 during the six months ended 30 June 2021. In addition, as at 30 June 2021, the Group’s equity attributable to owners of the Company was a deficit of RMB1,592,174,000 and the Group’s the current liabilities exceeded its current assets by RMB2,673,924,000.

As set out in Note 24, the Group’s bank and other borrowings amounted to RMB3,210,943,000 were included as current liabilities as at 30 June 2021, out of which RMB2,969,405,000 were immediately repayable as at 30 June 2021.

Further, as set out in Note 26, the 2015 Corporate Bond (as defined below), including the outstanding principal of RMB329,909,000 and unpaid interest of RMB61,072,000 as at 30 June 2021, have been overdue and became immediately repayable as of that date.

However, the Group maintained cash and cash equivalents of RMB15,999,000 as at 30 June 2021 only.

Although the receipt of the cash proceeds from the disposal of the Disposal Group in 2019 (as defined and detailed in Note 12A in the annual report of 2019), the 11 Target Companies (as defined in Note 28) and the 6 Target Companies (as defined in Note 6) could help reduce the Group’s highly indebted position, it can only reduce the Group’s liabilities in the long term, while the Group’s short term debt repayment pressure currently is still very high, since a number of outstanding debts (including bank and other borrowings and bond payables) have expired or will expire in the near future.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group’s ability to continue as a going concern, and therefore that the Group may not be able to realise its assets and discharges its liabilities in the normal course of business.

In order to enable the Group to meet with its financing needs, the Group continues to implement a series of plans and measures which comprise, inter alia, (i) progressing the collection of the remaining proceeds from the disposal of the 11 Target Companies and the 6 Target Companies; (ii) completing the disposal of Lattice Power (Jiangxi) Group (as defined in Note 10); (iii) proceeding the proposed disposal of the 7 Target Companies (as defined in Note 33); (iv) proceeding with the Possible Disposals of Further Solar Power Plants (as defined below) on similar terms and conditions as previous disposals; and (v) continuing to negotiate with banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates of the bank and other borrowings which had been overdue or breached certain loan covenants (collectively, the “Development Plan”). Details of the Development Plan are set out below:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

1. BASIS OF PREPARATION (Continued)

Progress of proceeds received from the disposal of the 11 Target Companies and the 6 Target Companies

During the year ended 31 December 2020, the Group completed the disposal of the 11 Target Companies and the 6 Target Companies at a total consideration of RMB1,395 million and RMB509 million respectively. Up to the date of approval of these interim condensed consolidated financial statements, a substantial portion of total consideration has been settled. Management of the Company expects that remaining amount of the consideration will be received prior to December 2021.

The disposal of Lattice Power (Jiangxi) Group

On 31 December 2020, Lattice Power Corporation, an indirect non wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of 100% equity interest in Lattice Power (Jiangxi) Group at a total consideration of RMB670 million. The disposal was approved by shareholders on 13 July 2021. Assuming the conditions precedent (as detailed in the Company's circular dated 23 June 2021) had all been satisfied, the consideration of the disposal is expected to be received within twelve months upon completion of the disposal.

The proposed disposal of the 7 Target Companies

On 13 August 2021, the Group entered into seven sale and purchase agreements to dispose of the 7 Target Companies at a total consideration of RMB538 million. Assuming the conditions precedent (as detailed in the Company's announcement dated 24 August 2021) had all been satisfied, the consideration of the disposal of approximately RMB538 million is expected to be received within twelve months upon completion of the disposal.

Possible Disposals of Further Solar Power Plants

Apart from the disposal of Lattice Power (Jiangxi) Group and the proposed disposal of the 7 Target Companies, according to the Group's current funding requirement and working capital conditions, the Group intends to further dispose of its solar power plants, which are located in the PRC, on similar terms and conditions as previous disposals of the 11 Target Companies and the 6 Target Companies and the proposed disposal of the 7 Target Companies, which may include the discount arising from the lack of marketability, conditions precedent, timing and progress payments by tranches (the "Possible Disposals of Further Solar Power Plants"). Management has been initiating discussions and negotiations with more than one potential buyer in respect of the Possible Disposals of Further Solar Power Plants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

1. BASIS OF PREPARATION (Continued)

Negotiation of extension of due dates of the relevant debts and/or alternative refinancing

Currently, the Group is negotiating with banks, financial institutions and bondholders to seek to refinance and/or extend the due dates of the relevant debts as follows:

(a) Negotiating with banks, financial institutions and bondholders for renewal of the relevant debts and extension of the maturity date

In respect of bank and other borrowings (Note 24)

(i) Sino Alliance Capital Ltd. ("Sino Alliance") and True Bold Global Limited ("True Bold")

The Group had separately agreed with Sino Alliance (as detailed in Note 24(a)) and True Bold (as detailed in Note 24(e)) to repay part of the outstanding borrowings through the use of remaining sale proceeds of the 11 Target Companies and the 6 Target Companies and the sales proceeds of the disposal of Lattice Power (Jiangxi) Group and the Possible Disposals of Further Solar Power Plants.

Upon continuing negotiation and discussion between management of the Company and Sino Alliance and True Bold separately, as of the date of approval of these interim condensed consolidated financial statements, management of Sino Alliance and True Bold have been aware of the progress and details of the Development Plan that the Company will repay the overdue borrowings with the proceeds received from the disposal of solar power plants held by the Group and they also stand for the Development Plan proposed by management of the Company.

(ii) China Minsheng Banking Corp., Ltd Hong Kong Branch ("CMBC-HK")

On 31 December 2020, another supplementary agreement was entered into between the Group and CMBC-HK to further extend the due dates and the settlement of the outstanding principal of HKD780,000,000 by instalments, including:

- (i) HKD300,000,000 shall be repaid on or before 31 December 2021, with paying HKD75,000,000 per quarter;
- (ii) HKD300,000,000 shall be repaid on or before 31 December 2022, with paying HKD75,000,000 per quarter; and
- (iii) Remaining HKD180,000,000 shall be repaid on or before 18 December 2023.

During the six months ended 30 June 2021, no settlement was made according to the terms stated above and the principal balance of HKD780,000,000 (equivalent to RMB649,038,000) remained outstanding as at 30 June 2021 and has become repayable on demand as a result of breach of loan covenants. Management of Company expects the overdue balance will be settled in September 2021 through the proceeds received from the disposal of Lattice Power (Jiangxi) Group. CMBC-HK has been aware of the Company's proposed settlement plan and they also stand for the Development Plan proposed by management of the Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

1. BASIS OF PREPARATION (Continued)

Negotiation of extension of due dates of the relevant debts and/or alternative refinancing (Continued)

- (a) Negotiating with banks, financial institutions and bondholders for renewal of the relevant debts and extension of the maturity date (Continued)

In respect of bank and other borrowings (Note 24) (Continued)

- (iii) *Bondholders A of the Fourth CB (as defined and detailed in Note 42(d) in the annual report of 2020)*

On 26 March 2021, the Group entered into an extension agreement with the bondholder to further extend the due dates and the settlement of the outstanding principal of HKD350,000,000 (equivalent to RMB294,560,000) by instalment, including:

- (i) HKD87,500,000 shall be repaid on or before 31 May 2021;
- (ii) HKD87,500,000 shall be repaid on or before 30 November 2021;
- (iii) HKD87,500,000 shall be repaid on or before 31 May 2022; and
- (iv) Remaining HKD87,500,000 shall be repaid on or before 30 November 2022.

During the six months ended 30 June 2021, no settlement was made according to the terms stated above and the principal balance of HKD87,500,000 (equivalent to RMB72,809,000) has become overdue as at 30 June 2021. The Company will repay the overdue borrowings with the proceeds received from the disposal of solar power plants held by the Group.

- (iv) *Chongqing International Trust Co., Ltd. (重慶國際信託股份有限公司) ("Chongqing Trust")*

As at 30 June 2021, the principal amount of RMB666,000,000 was overdue. Since the equity interest of the Group's subsidiaries which own and operate the solar power plants has been pledged to Chongqing Trust, management of the Company expects to repay the outstanding loan principal and related interest payable from the proceed arising from the possible disposal of the entire equity interest of the relevant subsidiaries which holds such solar power plant in the near future.

- (v) *Other remaining expired borrowings*

Other than the borrowings which are individually specified above, there are still other bank and other borrowings with aggregate balances of RMB105,342,000 overdue as at 30 June 2021.

Management of the Company assessed that RMB771,342,000 out of the total overdue balance of RMB2,069,577,000 as at 30 June 2021 and RMB759,342,000 out of total overdue balance of RMB2,055,913,000 on the date of approval of these interim condensed consolidated financial statements were held by the subsidiaries holding the solar power plants in the PRC and therefore, the bank and other borrowings held by these entities are expected to be eventually assumed by the purchasers according to the relevant sale and purchase agreements and under similar terms and conditions of previous disposals of the 11 Target Companies and the 6 Target Companies and the proposed disposal of the 7 Target Companies.

Management of the Company is optimistic that the relevant lenders will also accept such arrangement in respect of the Possible Disposals of Further Solar Power Plants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

1. BASIS OF PREPARATION (Continued)

Negotiation of extension of due dates of the relevant debts and/or alternative refinancing (Continued)

- (a) Negotiating with banks, financial institutions and bondholders for renewal of the relevant debts and extension of the maturity date (Continued)

In respect of bond payables (Note 26)

(vi) 2015 Corporate Bond

The corporate bond issued by the Group on 10 November 2015 (the “2015 Corporate Bond”) with an outstanding principal balance of RMB550,000,000 was matured on 9 November 2019. Total principal amount of RMB187,100,000 had been settled during the year ended 31 December 2020.

During the six months ended 30 June 2021, the total principal amount of RMB32,991,000 has been settled. As at 30 June 2021, the total principal amount of RMB329,909,000 and accrued bond interest of RMB61,072,000 were overdue.

Up to the date of approval of these interim condensed consolidated financial statements, the principal amount and accrued bond interest of RMB329,909,000 and RMB65,372,000 were overdue respectively.

Management of the Company is optimistic that these bondholders of the 2015 Corporate Bond continue support the Development Plan and the Company will repay the overdue borrowings with the proceeds received from the disposal of solar power plants held by the Group.

(vii) 2016 Corporate Bond

The corporate bond issued by the Group on 22 June 2016 (the “2016 Corporate Bond”) was matured on 22 June 2018.

On 31 May 2021, the Group had entered into an extension agreement with the bondholder and agreed conditionally to further extend the due date of outstanding principal of RMB255,463,000 to 25 October 2021.

As at 30 June 2021, the outstanding principal amount and accrued bond interest was RMB255,463,000 and RMB51,996,000 respectively.

Since there is no detailed repayment priority or ranking or partial repayment portion of each creditor specified in the Group’s relevant arrangements with creditors as stated above regarding how the Group may apply remaining proceeds from the disposal of the 11 Target Companies and the 6 Target Companies, and proceeds from disposal of Lattice Power (Jiangxi) Group, proposed disposal of the 7 Target Companies and the Possible Disposals of Further Solar Power Plants, if any, management of the Company has assumed the repayment to the lenders at its best estimate.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

1. BASIS OF PREPARATION (Continued)

Negotiation of extension of due dates of the relevant debts and/or alternative refinancing (Continued)

(a) Negotiating with banks, financial institutions and bondholders for renewal of the relevant debts and extension of the maturity date (Continued)

In addition, given that (i) the extension of loans obtained by the Group as at the end of the reporting period, and the possible extension of loans which the Group anticipated based on the current negotiation with creditors up to the date of approved of these interim condensed consolidated financial statements, are mostly short-term, and (ii) the exact timing of the completion of, and the collection of proceeds from the disposal of Lattice Power (Jiangxi) Group, the proposed disposal of the 7 Target Companies and the Possible Disposals of Further Solar Power Plants are inherently uncertain, which may not occur in a way that enables the Group to honour its current repayment commitment/agreement in the short term, and the disposal timetable may be further delayed or may not occur as the Group has expected, the directors of the Company is of the view that the actual timing of collection of the relevant proceeds from the disposal as described in the Development Plan may not match with the Group's current agreements or settlement arrangements with its creditors. Therefore, the Group must use its best endeavour to renegotiate with its creditors on a continuous basis to further revise/extend the repayment timing beyond the period currently agreed by the Group's creditors, or to make payment in an amount which is less than that as expected by its creditors, in order to enable the Group to effect the collection and application of disposal proceeds in an orderly manner for the repayment of loans in the next twelve months from the end of the reporting period. If the creditors do not agree with the settlement plan/further extension plan as planned by management of the Company, the Group will not have sufficient working capital for the next twelve months from the end of the reporting period.

Save as the above, management of the Company is still positive that upon partial repayment of the loan principal and/or outstanding interest by applying the remaining proceeds to be received from the disposal of the 11 Target Companies and the 6 Target Companies, and the proceeds received from the disposal of Lattice Power (Jiangxi) Group and the proposed disposal of the 7 Target Companies and when the plan for the Possible Disposals of Further Solar Power Plants becomes solid, a portion of the Group's overdue bank and other borrowings can be successfully renewed and/or extended in view of the Group's historical successful experiences in refinancing expiring debts. Management of the Company expects these overdue bank and other borrowings can be further extended to the extent and in accordance with the timetable and milestones of payment of the remaining proceeds arising from disposal of the 11 Target Companies and the 6 Target Companies, proceeds arising from the disposal of Lattice Power (Jiangxi) Group, the proposed disposal of the 7 Target Companies and the possible consideration from the Possible Disposals of Further Solar Power Plants that the Group could have received;

- (b) Negotiating with creditors not to exercise their rights to demand for immediate payment in respect of the Group's bank and other borrowings that had breached certain loan covenants, which amounted to a total of RMB899,828,000 as at 30 June 2021. Management of the Company is confident that these creditors will not demand for immediate repayment based on its negotiations with these creditors; and
- (c) As part of the Development plan, negotiating with banks, financial institutions and other counterparties to further delay the debt repayment of those bank and other borrowings which will become mature within twelve months after the end of the reporting period, as well as taking into consideration of the financial support from controlling shareholder to the Group to meet its liabilities and obligations as and when they fall due in order to enable the Group to have adequate working capital in the next twelve months.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

1. BASIS OF PREPARATION (Continued)

Negotiation of extension of due dates of the relevant debts and/or alternative refinancing (Continued)

The directors of the Company, after due and careful enquiry and after taking into account the Development Plan and the financial resources available to the Group, including cash and cash equivalents on hand, cash flows from operating activities and available facilities, and based on the assumptions that the above events will be materialised, are of the opinion that the Group will have sufficient working capital for its present operating requirements and for at least the next twelve months commencing from the date of approval of these interim condensed consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its Development Plan as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate investing, financing and operating cash flows through the successful fulfilment of all the following conditions:

- (i) collecting the remaining sale proceeds in respect of the disposal of the 11 Target Companies and the 6 Target Companies in accordance with the amount and timing expected by the Company;
- (ii) completing the disposal of the Lattice Power (Jiangxi) Group and the proposed disposal of the 7 Target Companies and collecting the proceeds in accordance with the amount and timing expected by the Company;
- (iii) seeking buyers and completing the Possible Disposals of Further Solar Power Plants in order to collect the proceeds in accordance with the terms and conditions, amount and timing expected by the Company;
- (iv) convincing its creditors (including bank and other borrowings and bond payables) to allow the Group to repay or partially repay the amounts due according to the Group's expected repayment time and amount and allow the Group to further extend the repayment in accordance with the timetable and milestones of payment of the remaining proceeds from the Group's disposals and the Possible Disposal of Further Solar Power Plants;
- (v) obtaining consent from both the lenders and buyers in respect of the debt assumption arrangement for the buyers to assume the bank and other borrowings held by the group entities involving in the Possible Disposals of Further Solar Power Plants;
- (vi) convincing creditors to agree not to exercise their right to demand for immediate payment in respect of the Group's bank and other borrowings that had breached certain loan covenants;
- (vii) convincing banks, financial institutions and other counterparties, to further delay the debt repayment of those bank and other borrowings which will be matured within twelve months after the end of the reporting period; and
- (viii) ensuring there is no any event or circumstance that will affect the capability of controlling shareholder to provide the financial support to the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

1. BASIS OF PREPARATION (Continued)

Should the Group fail to achieve the above-mentioned Development Plan, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these interim condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

2A. Principal Accounting Policies

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in these interim condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied, for the first time, the following amendments that are mandatory effective for annual period beginning on or after 1 January 2021 for the preparation of the Group's interim condensed consolidated financial statements:

- Amendments to International Accounting Standards ("IAS") 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 — Interest Rate Benchmark Reform — Phase 2
- Amendment to IFRS 16 — COVID-19-Related Rent Concessions

The application of these amendments in the current period have no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in the Group's annual consolidated financial statements for the year ended 31 December 2020 and Note 2A above, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in these interim condensed consolidated financial statements.

(a) Judgements in determining the performance obligations and timing of satisfaction of performance obligations

The revenue recognition basis to each of the Group's revenue stream is described in the Group's annual consolidated financial statements for the year ended 31 December 2020. The recognition of each of the Group's revenue stream requires judgement by management of the Company in determining the timing of satisfaction of performance obligations.

In making their judgement, the directors of the Company consider the detailed criteria for recognition of revenue set out in IFRS 15 "Revenue from Contracts with Customers" and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers and counterparties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(a) Judgements in determining the performance obligations and timing of satisfaction of performance obligations (Continued)

For the sales of LED Products (as defined in Note 10), the directors of the Company have assessed that the Group has a present right to payment from the customers for the goods transferred at a point in time upon customers' acceptance of the deliverable units.

For sales of electricity, the directors of the Company have assessed that the Group has a present right to payment from the state grid company for the electricity generated and transmitted at a point in time upon transmittal.

For tariff subsidies generated from those solar power plants which had been registered to the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "Catalogue"), the Group has obtained unconditional and present right to payment since the electricity generated and transmitted. On the other hand, for tariff subsidies generated from those solar power plants which had not been registered into the Catalogue, since the Group has not obtained unconditional right to payment yet, therefore, the Group recognised accrued revenue on tariff subsidies with corresponding debit to contract assets, accordingly.

(b) Revenue recognition on tariff subsidies on sales of electricity

Tariff subsidy represents subsidy received and receivables from the government authorities in respect of the Group's solar power generation business. The financial resource for the tariff subsidies is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The government authorities are responsible to collect and allocate the fund and make settlement through state-owned grid companies to the solar power companies. Tariff subsidies are recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

In August 2013, the National Development and Reform Commission of the PRC ("NDRC") released a Tariff Notice (the "Tariff Notice") to launch a new subsidising policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants (which is known as the ground solar plants). In particular, according to the Tariff Notice, (i) for the centralised solar plants, which obtained on-grid approval and commenced in generating electricity on or after 1 January 2014, the benchmark on-grid price was set at RMB0.9/KWh, RMB0.95/KWh and RMB1.0/KWh for the projects in energy zones I, II and III respectively which were categorised based on local solar energy resources and generating plant construction costs; and (ii) the new standards would apply to the power stations registered after 1 September 2013 and those registered before 1 September 2013 but which did not commence in generating electricity until 1 January 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(b) Revenue recognition on tariff subsidies on sales of electricity (Continued)

According to the Tariff Notice, for centralised solar power plants, which obtained on-grid approval and commenced in generating electricity prior to 31 December 2013, the prevailing on-grid tariff of RMB1.0/KWh still applied.

In December 2015, NDRC released another updated tariff notice (the "2015 Tariff Notice") to renew the subsidising policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 1 January 2016 and those registered before 1 January 2016 but which did not commence in generating electricity until 30 June 2016 (the "New Solar Power Plants"). According to 2015 Tariff Notice, the benchmark on-grid price was set at RMB0.8/KWh, RMB0.88/KWh and RMB0.98/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

In December 2016, NDRC released another updated tariff notice (the "2016 Tariff Notice") to renew the subsidising policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 1 January 2017 and those registered before 1 January 2017 but which did not commence in generating electricity until 30 June 2017 (the "New Solar Power Plants"). According to 2016 Tariff Notice, the benchmark on-grid price was set at RMB0.65/KWh, RMB0.75/KWh and RMB0.85/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

In December 2017, NDRC released another updated tariff notice (the "2017 Tariff Notice") to renew the subsidising policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 1 January 2018 and those registered before 1 January 2018 but which did not commence in generating electricity until 30 June 2018 (the "New Solar Power Plants"). According to 2017 Tariff Notice, the benchmark on-grid price was set at RMB0.55/KWh, RMB0.65/KWh and RMB0.75/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

In April 2019, NDRC released another updated tariff notice (the "2019 Tariff Notice") to renew the subsidising policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 30 June 2019 and those registered before 30 June 2019 but which did not commence in generating electricity until 30 June 2019 (the "New Solar Power Plants"). According to 2019 Tariff Notice, the benchmark on-grid price was set at RMB0.4/KWh, RMB0.45/KWh and RMB0.55/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(b) Revenue recognition on tariff subsidies on sales of electricity (Continued)

In March 2020, NDRC released another updated tariff notice (the "2020 Tariff Notice") to renew the subsidising policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 31 May 2020 and those registered before 31 May 2020 but which did not commence in generating electricity until 31 May 2020 (the "New Solar Power Plants"). According to 2020 Tariff Notice, the benchmark on-grid price was set at RMB0.35/KWh, RMB0.40/KWh and RMB0.49/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

In January 2020, the Ministry of Finance of the PRC released a notice that the Catalogue is replaced by National Reusable Energy Information Management Platform (國家可再生能源信息管理平台) ("the Platform"). Pursuant to the Tariff Notice issued by NDRC, approvals for the registration in the Platform on a project by-project basis are required for the settlement of the tariff subsidy. On 20 January 2020, the Ministry of Finance, the NDRC and the National Energy Administration (the "NEA") jointly issued the Administrative Measures on the additional subsidies on Renewable Energy Electricity Prices (可再生能源電價附加資金管理辦法) (the "2020 Administrative Measures") which was effective on 20 January 2020. It sets out additional measures on providing the subsidies to renewable energy projects. Particularly:

- (1) for the renewable energy generation projects launched before the issue of the 2020 Administrative Measures, such projects would be included in the list of subsidised projects after approval by the power grid enterprises;
- (2) for the renewable energy generation projects launched after the issue of the 2020 Administrative Measures, the Ministry of Finance shall determine the amount of subsidies based on the amount of the renewable energy development fund, the technological advancement and the industry development; and
- (3) the criteria under which the renewable energy generation projects would be included in the list of subsidised projects includes the following: (i) newly launched projects are required to be counted towards the total renewable energy generation subsidy for the year in which the projects are launched. Existing projects are required to meet the requirements of the NEA, and be included in the annual construction scale management according to the scale management needs; (ii) examination, approval or filing has been completed in accordance with relevant national regulations; compliance with the national renewable energy price policy, and the on-grid electricity price has been reviewed and approved by the pricing authority; (iii) the timetable for grid connection of all the units meets the subsidy requirement; and (iv) relevant examination, approval, filing and grid connection requirements have been reviewed and approved by the national renewable energy information management platform.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(b) Revenue recognition on tariff subsidies on sales of electricity (Continued)

Pursuant to the Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidies have come into force since 2013 and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, the state grid companies upon receipt of funds would then make settlement to the Group. Registrations to the Catalogue is an ongoing process and the Catalogue is opened for registrations on a batch by batch basis. Revenue on tariff subsidies on electricity sales of RMB257,685,000 (Six months ended 30 June 2020: RMB420,875,000) from the state grid companies in the PRC has been recognised for the six months ended 30 June 2021 in which tariff subsidies amounting to RMB34,636,000 (Six months ended 30 June 2020: RMB48,725,000) relating to certain of the on-grid solar power plants of the Group are still pending for registration to the Catalogue.

In making their judgement, the directors of the Company, taking into account the legal opinion as advised by the Group's legal advisor and the fact that all previous registrations of the group entities operating the solar power plants to the Catalogue were successfully completed with reference to the requirements and conditions for the registration in the Catalogue, considered that all of the Group's solar power plants currently in operation had met the requirements and conditions as stipulated in the Tariff Notice for the entitlement of the tariff subsidies when the electricity was delivered on grid.

In the opinion of the directors of the Company, the recognition of accrued revenue on tariff subsidies is proper based on their judgement and by reference to those previous successful registrations of the Group's operating solar power plants to the Catalogue, as well as taking into account the opinion from the Group's legal advisor, that all of the Group's operating power plants had been qualified for, and had met, all the requirements and conditions as required according to the requirements and conditions for the registration in the Catalogue. The directors of the Company are confident that all of the Group's operating power plants were able to be registered in the Catalogue in due course and the accrued revenue on tariff subsidies are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there were no bad debt experiences with the state grid companies in the past and the tariff subsidies were fully funded by the PRC government.

(c) Revenue recognition on certain tariff subsidies with variable consideration

For tariff subsidies generated from those solar power plants which had not been registered into the Catalogue, the relevant revenue from these tariff subsidies are considered to contain variable consideration, and is recognised only to the extent that it is highly probable that a significant reversal will not occur.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(d) Recognition of adjusting revenue for the time value of money ("significant financing component") on tariff subsidy generated from solar power operation

The Group's accrued revenue on tariff subsidies are receivables from the state grid company. The Group has a present right to payment once the electricity generated and transmitted on grid. However, the contract entered between the state grid and the Group does not set an explicit credit terms to the settlement of accrued revenue on tariff subsidies. Management of the Company considered that the settlement period is more than 1 year, in accordance with the historical settlement record and experience in the past few years. As a result, there is an adjustment in respect of significant finance component to the recognition of tariff subsidies generated from solar power plants on sales of electricity.

(e) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities

On 16 December 2015, the wholly-owned subsidiaries of the Company, including Jiangxi Shunfeng Photovoltaic Investment Co. Ltd. ("Jiangxi Shunfeng"), Shanghai Shunneng Investment Co., Ltd. ("Shanghai Shunneng"), Jiangsu Changshun Xinhe New Energy Co., Ltd. ("Jiangsu Changshun") and Chongqing Future Investment Co., Ltd. ("Chongqing Future"), an independent third party, entered into a sale and purchase agreement, pursuant to which the Group agreed to dispose of its entire equity interest in Jiangsu Changshun and nine subsidiaries (the "Nine Disposal Entities"), which were engaged in the construction, development and operation of different photovoltaic projects and power plants in different provinces in the PRC, to Chongqing Future for a total cash consideration of RMB1,199,600,000 to be settled in three instalments and subject to certain conditions precedent and price adjustment mechanism (the "2015 Proposed Disposal").

As part of the transaction, the Group also entered into a management contract with Chongqing Future ("Management Contract"), pursuant to which management team of the Nine Disposal Entities, which continued to be appointed by the Group for a period of four years from 2016 to 2019, is responsible for management and operation of the nine solar power plant projects held by the Nine Disposal Entities, (including all the decisions of their relevant activities), and the Group in return would receive a fixed amount of management fee and entitled to certain variable amount of return, determined based on the performance of the Nine Disposal Entities. In the opinion of the directors, the Group was still able to control the Nine Disposal Entities. In addition, the 2015 Proposed Disposal was also subject to the fulfilment of certain conditions precedent (including to obtain necessary permits related to the development of the solar power plants, consents and approvals from the relevant government authorities) prior to the payment due date of the second instalment of the cash consideration on 30 September 2016, the 2015 Proposed Disposal was considered as incomplete as at 31 December 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(e) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities (Continued)

On 18 December 2015, the Group transferred the entire equity interest of Jiangsu Changshun and the Nine Disposal Entities to Chongqing Future. However, pursuant to the sales and purchase agreement, the Group was required to obtain necessary permits related to the development of the solar power plants, consents and approvals from the relevant government authorities in respect of the solar power plant development projects held by the Nine Disposal Entities. In addition, if a fellow subsidiary of Chongqing Future fails to obtain the consent of the relevant government authorities in respect of the 2015 Proposed Disposal and/or raise relevant funds for Chongqing Future to pay outstanding consideration to the Group by 30 September 2016, Chongqing Future would have the option to choose not to pay the second instalment of the cash consideration in the amount of RMB499,600,000, the sale and purchase agreement could be cancelled by either the Group or Chongqing Future and the legal ownership in respect of the equity interests of Jiangsu Changshun and the Nine Disposal Entities will be returned to the Group and the Group's received first instalment of RMB650,000,000 would be refunded to Chongqing Future plus interest carried at People's Bank of China ("PBOC") rate in accordance with the sale and purchase agreement.

In the opinion of the directors, the directors considered that the eventual completion of the 2015 Proposed Disposal was subject to the fulfilment of certain conditions precedent prior to the payment due date of the second instalment of the cash consideration on 30 September 2016, the 2015 Proposed Disposal was considered as incomplete as at 31 December 2015. In addition, the directors considered that the Group was able to exercise control over Jiangsu Changshun and the Nine Disposal Entities as at 31 December 2015 due to the Management Contract (as defined and detailed in Note 32(iii) in the annual report of 2017) entered into between the Group and Chongqing Future, hence, the carrying amounts of net assets of Jiangsu Changshun and the Nine Disposal Entities were consolidated to the Group. However, since the Group has already transferred the legal ownership in respect of the entire equity interests of Jiangsu Changshun and the Nine Disposal Entities to Chongqing Future on 18 December 2015, in the opinion of the directors, the Group's entire interests in them should be accounted for as non-controlling interests since then and will be subject to re-assessment upon progress of the development of the above-mentioned proposed transactions.

As at 31 December 2015, the Group received cash consideration of RMB650,000,000 from Chongqing Future, which was accounted for as consideration received in advance and included in other payables, accordingly.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(e) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities (Continued)

On 21 June 2016, an agreement to terminate the 2015 Proposed Disposal (the "Termination Agreement") was entered into with immediate effect, as certain conditions precedent were expected not to be fulfilled on or before 30 June 2016. Pursuant to the Termination Agreement, the Group should return the consideration received in advance of RMB650,000,000 together with the interest calculated at 9% per annum from 21 December 2015 within one year after execution of the Termination Agreement. The legal ownership in respect of the 100% entire equity interest of Jiangsu Changshun and the Nine Disposal Entities would be transferred back to the Group after the return of the entire amount of RMB650,000,000 together with the relevant interest by the Group to Chongqing Future, and the repayment of the borrowings of RMB500,000,000 together with the relevant interest by the Group to Chongqing Trust (as defined in Note 32(iii) in the annual report of 2017).

Details of the developments of the consideration received in advance from Chongqing Future and the borrowings from Chongqing Trust were set out in Note 32(iii) in the annual report of 2017.

Such borrowings from Chongqing Future and Chongqing Trust, of which due date had been extended in the prior years, were both matured on 29 September 2020. The Group's outstanding principal balances of RMB33,484,000 and RMB666,000,000 due to Chongqing Future and Chongqing Trust respectively were overdue as at 30 June 2021.

As at 30 June 2021, the legal ownership in respect of the entire equity interest of Jiangsu Changshun has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities were continued to be accounted for as non-controlling interests and the related profit for the current period amounting to RMB47,120,000 (Six months ended 30 June 2020: RMB33,309,000) has been transferred from accumulated deficits to non-controlling interests as at 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(f) The Lattice Power (Jiangxi) Group classified as held for sale

As set out in Note 17, on 31 December 2020, the Group entered into a sale and purchase agreement with a connected person, who is a director of an indirectly non wholly-owned subsidiary of the Company, pursuant to which the Company has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase 100% of the equity interests in Lattice Power (Jiangxi) Group, which engaged in manufacturing and sales of LED Products. The transaction was approved by the shareholders of the Company on 13 July 2021 and management assessed that the Lattice Power (Jiangxi) Group are available for immediate sale in its present condition and the sale is expected to be highly probable and would be completed within twelve months after the end of the reporting period. As at 30 June 2021, assets and liabilities relating to the Lattice Power (Jiangxi) Group amounting to RMB910,078,000 and RMB261,026,000 have been classified as held for sale and presented as current assets and current liabilities, respectively.

(ii) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months after the end of the reporting period.

(a) Impairment of property, plant and equipment and solar power plants

Property, plant and equipment and solar power plants are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount or, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 30 June 2021, the carrying amount of property, plant and equipment and solar power plants is RMB51,371,000 and RMB4,495,219,000 (net of impairment of RMB585,736,000), respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(a) Impairment of property, plant and equipment and solar power plants (Continued)

As at 31 December 2020, the carrying amount of property, plant and equipment and solar power plants is RMB257,989,000 (net of impairment of RMB189,704,000) and RMB4,650,831,000 (net of impairment of RMB568,064,000), respectively.

(b) Expected credit loss ("ECL") for trade and other receivables, contract assets, receivables included in other non-current assets and amounts due from the related parties

ECL in relation to trade and other receivables, contract assets, receivables included in other non-current assets and amounts due from the related parties is calculated by management of the Company, and is assessed individually for the customers/debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

The assessment of ECL is based on historical observed default rates and adjusted by forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

During the six months ended 30 June 2021, loss allowance of RMB10,851,000 was reversed (Six months ended 30 June 2020: loss allowance of RMB16,206,000 was recognised, re-presented) for trade and other receivables, contract assets, receivables included in other non-current assets and amounts due from the related parties.

(c) Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. Also, the Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down inventories in that period.

As at 31 December 2020, the carrying amount of the Group's inventories was approximately RMB83,092,000 (net of allowance for inventories of RMB48,798,000). During the six months ended 30 June 2021, allowance for inventories of RMB10,663,000 was recognised in profit or loss (Six months ended 30 June 2020: RMB4,134,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(d) Impairment of prepayments to suppliers

The Group makes prepayments and deposits to suppliers in accordance with the purchase contracts entered into with the suppliers. These prepayments are to be offset against future purchases from suppliers.

The Group does not require collateral or other security against its prepayments to suppliers. The Group performs ongoing evaluation of impairment of prepayments to suppliers due to a change of market conditions and the financial conditions of its suppliers. The evaluation also takes into account the quality and timeframe of the products to be delivered to the Group. When the prepayments would not be recovered as expected and the credit quality of the suppliers changed, the Group would impair the prepayments to suppliers.

As at 30 June 2021, the carrying amount of prepayments to suppliers was RMB5,569,000 (31 December 2020: RMB33,232,000).

(e) Useful lives and residual values of property, plant and equipment and solar power plants

The directors of the Company determine the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment and solar power plants. These estimates are based on the historical experience of the actual residual values and useful lives of plant and equipment and solar power plants of similar nature and functions. As at 30 June 2021, the total carrying amount of the Group's property, plant and equipment and solar power plants was RMB4,546,590,000 (31 December 2020: RMB4,908,820,000).

(f) Income taxes

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax liabilities in the period in which such determination is made.

Certain subsidiaries of the Group were each entitled to a preferential enterprise income tax rate for a specified period subject to certain conditions. Management generally applies the applicable preferential tax rate to calculate current income tax (Note 11) on the assumption that the subsidiaries will meet the conditions and qualify for the preferential treatment. The consequence of any failure to meet the conditions and any change in the applicable tax rate is adjusted in the year in which the information becomes known.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(g) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Chief Financial Officer ("CFO") of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The CFO works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The CFO reports the findings to the board of directors at the end of each reporting period to explain the cause of fluctuations in the fair value of the assets and liabilities.

3. REVENUE

Disaggregation of revenue

A. Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
Revenue from sales of electricity		
Types of goods or service		
Sales of electricity	106,808	159,378
Tariff subsidies	257,685	420,875
Total	364,493	580,253
Geographical markets		
Mainland China	364,493	580,253
Timing of revenue recognition		
A point in time	364,493	580,253

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

3. REVENUE (Continued)

Disaggregation of revenue (Continued)

B. Performance obligations for contracts with customers

Sales of electricity

Revenue arising from the sales of electricity is recognised at a point in time when electricity is generated and transmitted.

Revenue from sales of electricity is based on the on-grid benchmark tariff rates of local coal-fired power plants, which vary across provinces and can be adjusted by the government. It is currently settled by state grid companies for the electricity generated by the solar power plants on a monthly basis.

Tariff subsidies

Tariff subsidies represent subsidies received and receivable from the government authorities in respect of the Group's solar power generation business. Tariff subsidies are recognised at their fair values where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

Revenue from tariff subsidies is based on the difference between the feed-in-tariff regime implemented by the government for the provision of subsidies to the solar power plants operators and the revenue from sales of electricity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

4. SEGMENT INFORMATION

Information has been reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. During the six months ended 30 June 2021, manufacturing and sales of LED Products were presented as discontinued operation, details of which were set out in Note 10. The Group's reportable and operating segments in respect of continuing operation for both periods is solar power generation in the PRC only.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

Continuing operation

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
Segment revenue		
External sales	106,808	159,378
Tariff subsidies	257,685	420,875
	364,493	580,253
Segment profit/(loss)	191,766	(49,212)
Unallocated income		
— Bank interest income	459	88
Unallocated expenses		
— Central administration costs	(10,503)	(14,155)
— Finance costs	(289,567)	(453,484)
Loss allowance recognised on financial guarantee contracts for a joint venture	(8,292)	(5,419)
Loss allowance recognised on amounts due from the related parties	(4,348)	(1,194)
Share of profits of associates	1,539	1,090
Loss before tax	(118,946)	(522,286)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Continuing operation (Continued)

Amounts included in the measure of segment profit/(loss):

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
Impairment loss on assets classified as held for sale	—	(214,406)
Impairment loss on solar power plants	(17,672)	(17,771)
Loss allowance reversed/(recognised) on trade and other receivables, contract assets and financial guarantee contract, net	15,199	(24,012)

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment profit/(loss) represents the profit earned or loss incurred by segment without allocation of bank interest income, central administration costs, finance costs, loss allowance recognised on financial guarantee contracts for a joint venture, loss allowance recognised on the amounts due from the related parties and share of profits of associates. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Re-presented) (Audited)
Continuing operation		
Segment assets	7,109,955	7,214,148
Assets relating to discontinued operation (Note)	910,078	556,518
Other unallocated assets	1,712,956	1,937,804
Consolidated assets	9,732,989	9,708,470
Continuing operation		
Segment liabilities	6,427,944	6,416,497
Liabilities relating to discontinued operation (Note)	261,026	198,656
Other unallocated liabilities	2,999,812	3,010,266
Consolidated liabilities	9,688,782	9,625,419

Note:

The comparative figures have been re-presented to represent the manufacturing and sale of LED products held by the Lattice Power (Jiangxi) Group as discontinued operation.

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segment other than bank balances and cash, restricted bank deposits, financial assets at FVTPL, interests in associates and amounts due from the related parties; and
- All liabilities are allocated to operating segment other than lease liabilities, liability component of the Group's convertible bonds, financial guarantee provision for a joint venture, amounts due to the related parties and bond payables liable for centralised financing of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

4. SEGMENT INFORMATION (Continued)

Entity-wide disclosures

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
Continuing operation		
Sales of electricity	106,808	159,378
Tariff subsidies (Note)	257,685	420,875
Total	364,493	580,253

Note:

The amount represents the tariff subsidies which were approximately 38% to 87% (Six months ended 30 June 2020: 38% to 90%) of the total electricity sales, adjusted with the amount of significant financing component. The amount is subject to the allocation of funds by the relevant government authorities and was determined in accordance with the on-grid unit tariff rate approval document and the electricity supply contracts.

Geographical information

Revenue from continuing operation from external customers, based on locations of customers, and information about the Group's non-current assets attributable to the Group by geographic areas are as follows:

	Revenue from external customers Six months ended 30 June		Non-current assets	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Continuing operation				
Mainland China	364,493	580,253	5,347,733	5,817,255

All the Group's non-current assets presented above, excluded those relating to interests in associates and a joint venture and financial assets at FVTPL.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

4. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group from continuing operation are as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
Company A	64,778	98,219
Company B	64,279	82,362
Company C	53,465	N/A ¹
Company D	N/A ¹	128,473

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
Continuing operation		
Bank interest income	459	88
Government grants (Note (i))	200	300
Imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets (Note (ii))	12,256	16,468
Others	1,365	1,178
	14,280	18,034

Notes:

- (i) The government grants represent the amount received from the local government for supporting the development of the energy industry in Zhangjiakou City, Hebei Province, the PRC.
- (ii) The imputed interest income is released to other income, as a result of the significant financing component on sales of electricity in the PRC. As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidies, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
Continuing operation		
Gain on change in fair value of derivative financial liabilities (Note (i))	—	1,293
Impairment loss on assets classified as held for sale (Note (ii))	—	(214,406)
Impairment loss on solar power plants (Note (iii))	(17,672)	(17,771)
Loss on disposal of subsidiaries (Note 28)	—	(31,939)
Net foreign exchange gain/(loss)	26,932	(41,302)
Written off of prepayments to suppliers	—	(2,271)
Others	—	(6,711)
	9,260	(313,107)

Notes:

(i) The amount represented the gain on change in fair value in respect of the warrants liabilities arising from the previous acquisition of Lattice Power Group.

(ii) On 16 March 2020, Jiangxi Shunfeng Photovoltaic Investment Co., Ltd.# (江西順風光電投資有限公司) ("Jiangxi Shunfeng") and Shanghai Shunneng Investment Co., Ltd.# (上海順能投資有限公司) ("Shanghai Shunneng"), two indirect wholly-owned subsidiaries of the Company, entered into 6 sale and purchase agreements with Zhejiang Zhengtai New Energy Development Co., Ltd. ("Zhengtai") pursuant to which Jiangsu Shunfeng and Shanghai Shunneng had conditionally agreed to sell, and Zhengtai had conditionally agreed to purchase 100% of the equity interest in Akesu Datang New Energy Co., Ltd.# (阿克蘇大唐新能源有限公司), Yuepuhu Gaoke New Energy Power Generation Co., Ltd.# (岳普湖高科新能源發電有限公司), Heshuo Hengxin New Energy Technology Co., Ltd.# (和碩恒鑫新能源科技有限公司), Tulufan Lianxing New Energy Co., Ltd.# (吐魯番聯星新能源有限公司), Wensu Riyuehui New Energy Co., Ltd.# (溫宿縣日月輝新能源有限公司), and Hejing Yixin New Energy Technology Co., Ltd.# (和靜益鑫新能源科技有限公司), (collectively referred to as the "6 Target Companies"), which owned and operated 6 solar power plants in total in the PRC.

Taking into account the cash consideration payable by Zhengtai to the Group and the relevant payables payable by the relevant 6 Target Companies to the Group, the expected total proceeds received by the Group were estimated to be less than the net carrying amount of the relevant assets and liabilities, and an impairment loss of RMB214,406,000 was recognised in other gains and losses during the six months ended 30 June 2020, accordingly.

(iii) During the six months ended 30 June 2021, due to the adverse change of market conditions, in the opinion of the directors of the Company, the recoverable amounts of the solar power plants are estimated to be less than their carrying amounts, and the carrying amounts of the relevant solar power plants are reduced to the extent of their recoverable amounts, with an impairment loss of RMB17,672,000 (Six months ended 30 June 2020: RMB17,771,000).

English name is for identification purpose only

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

7. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
Continuing operation		
Loss allowances recognised/(reversed) on:		
Trade receivables — goods and services	1,205	434
Contract assets	39	49
Other receivables	(16,443)	14,529
Amounts due from the related parties	4,348	1,194
Financial guarantee contracts, net (Note 23)	8,292	14,419
	(2,559)	30,625

The basis of determining the inputs and assumptions and the estimation techniques used in these interim condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

During the six months ended 30 June 2021, the Group reversed loss allowance of RMB2,559,000, the reversal of ECL relating to other receivables was mainly due to the settlement of other receivables with a gross amount of RMB153,941,000.

During the six months ended 30 June 2020, the Group recognised loss allowance of RMB30,625,000, in particular, a specific loss allowance of RMB30,325,000 has been made to individual debtors due to evidences of receivables being credit-impaired or with credit risk being significantly increased.

8. FINANCE COSTS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
Continuing operation		
Interest on bank and other borrowings	233,744	400,570
Interest on lease liabilities	516	670
Effective interest on convertible bonds	31,665	30,019
Effective interest on bond payables	23,730	22,322
Total borrowing costs	289,655	453,581
Less: amounts capitalised	(88)	(97)
	289,567	453,484

Borrowing costs capitalised arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.43% (Six months ended 30 June 2020: 4.90%) per annum to expenditure on qualifying assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

9. LOSS BEFORE TAX

Continuing operation

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
Loss before tax has been arrived at after charging:		
Staff costs (including directors' remuneration)	15,746	15,098
Retirement benefit scheme contributions	1,089	237
Total staff costs	16,835	15,335
Impairment loss on assets classified as held for sale	—	214,406
Impairment loss on solar power plants	17,672	17,771
Depreciation of property, plant and equipment	406	383
Depreciation of completed solar power plants	145,158	191,767
Depreciation of right-of-use assets	4,911	3,835
Amortisation of intangible assets	245	244

10. DISCONTINUED OPERATION

On 31 December 2020, Lattice Power Corporation, an indirect non wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Nanchang Guanggu Group Limited# (南昌光穀集團有限公司) ("Nanchang Guanggu") pursuant to which Lattice Power Corporation had conditionally agreed to sell, and Nanchang Guanggu had conditionally agreed to purchase 100% of the equity interest in Lattice Power (Jiangxi) Co., Ltd# (晶能光電(江西)有限公司) and its subsidiaries (collectively referred to as the "Lattice Power (Jiangxi) Group"). The transaction was approved by the shareholders on 13 July 2021.

The operation discontinued along with the disposal of Lattice Power (Jiangxi) Group was manufacturing and sales of GaN-on-Silicon substrate light-emitting diode ("LED") epitaxial wafers and chips (collectively known as "LED Products").

The respective profit for the six months ended 30 June 2021 from Lattice Power (Jiangxi) Group is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been re-presented as the discontinued operation.

English name is for identification purpose only

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

10. DISCONTINUED OPERATION (Continued)

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Manufacturing and sales of LED Products		
Revenue	313,641	221,767
Cost of sales	(183,189)	(132,574)
Gross profit	130,452	89,193
Other income	11,217	17,033
Other gains and losses	367	605
Impairment losses under expected credit loss model, net of reversal	(5,875)	(2,720)
Distribution and selling expenses	(4,187)	(4,483)
Administrative expenses	(18,424)	(14,487)
Research and development expenditure	(27,907)	(25,897)
Finance costs	(1,664)	(2,856)
Profit before tax	83,979	56,388
Income tax expense	(3,468)	(381)
Profit for the period	80,511	56,007

Profit for the period from discontinued operation includes the following:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit before tax has been arrived at after charging/(crediting):		
Staff costs	32,084	34,085
Retirement benefit scheme contributions	2,814	253
Total staff costs	34,898	34,338
Capitalised in inventories	(8,895)	(8,320)
	26,003	26,018
Cost of inventories recognised as expense (Note)	183,189	132,574
Depreciation of property, plant and equipment	16,762	12,265
Depreciation of right-of-use assets	863	970
Amortisation of intangible assets	11	1

Note: Cost of inventories recognised as expense included staff costs and depreciation of property, plant and equipment, which are also included in the respective expenses disclosed separately above. During the six months ended 30 June 2021, amounts also included the write-down of inventories to net realisable values of approximately RMB10,663,000 (Six months ended 30 June 2020: RMB4,134,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

10. DISCONTINUED OPERATION (Continued)

Cash flows from discontinued operation:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net cash inflows from operating activities	135,228	79,381
Net cash outflows from investing activities	(36,373)	—
Net cash outflows from financing activities	(10,052)	(41,704)
Net cash inflows	88,803	37,677

11. INCOME TAX EXPENSE

Continuing operation

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
PRC Enterprise Income Tax ("EIT")		
Current period	887	2,245
(Over)/Under provision in prior periods	(401)	56
Income tax expense	486	2,301

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for both periods.

Certain subsidiaries of the Group, being enterprises engaged in public infrastructure projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived.

The remaining subsidiaries of the Company established in the PRC are subject to PRC EIT rate of 25% for both periods.

12. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2021 and 2020. The directors have determined that no dividend will be paid in respect of the current interim period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

13. LOSS PER SHARE — BASIC AND DILUTED

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Re-presented) (Unaudited)
From continuing operation		
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	(70,776)	(491,559)
Less: Profit for the period attributable to owners of the Company from discontinued operation	(47,888)	(33,313)
Loss for the period attributable to owners of the Company from continuing operation for the purposes of basic loss per share	(118,664)	(524,872)
Effect of dilutive potential ordinary shares:		
— convertible bonds (Note)	—	—
Loss for the purposes of diluted loss per share	(118,664)	(524,872)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	4,982,375,490	4,982,375,490
Effect of dilutive potential ordinary shares:		
— convertible bonds (Note)	—	—
Weighted average number of ordinary shares for the purposes of diluted loss per share	4,982,375,490	4,982,375,490
From continuing and discontinued operations		
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	(70,776)	(491,559)
Effect of dilutive potential ordinary shares:		
— convertible bonds (Note)	—	—
Loss for the purposes of diluted loss per share	(70,776)	(491,559)

Note: The computation of diluted loss per share for both periods does not assume the conversion of convertible bonds, because this would result in a decrease in loss per share.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

13. LOSS PER SHARE — BASIC AND DILUTED (Continued)

From discontinued operation

For the six months ended 30 June 2021, basic and diluted earnings per share for the discontinued operation was RMB0.96 cent per share (Six months ended 30 June 2020: RMB0.67 cent per share), based on the profit for the period attributable to owners of the Company from discontinued operation of RMB47,888,000 (Six months ended 30 June 2020: RMB33,313,000) and the denominators detailed above for both basic and diluted earnings per share.

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group had additions to property, plant and equipment of RMB37,165,000 (Six months ended 30 June 2020: RMB12,636,000).

During the six months ended 30 June 2021, for continuing operation, the Group did not dispose of any property, plant and equipment (Six months ended 30 June 2020: Nil).

During the six months ended 30 June 2021, the Group reclassified property, plant and equipment with carrying amounts of RMB226,615,000 associated with Lattice Power (Jiangxi) Group to assets held for sale as disclosed in Note 17.

15. MOVEMENTS IN RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group did not have any addition to right-of-use assets (Six months ended 30 June 2020: addition of RMB543,000).

During the six months ended 30 June 2021, the Group reclassified right-of-use assets with carrying amounts of RMB53,488,000 associated with Lattice Power (Jiangxi) Group to assets held for sale as disclosed in Note 17.

16. MOVEMENTS IN SOLAR POWER PLANTS

During the six months ended 30 June 2021, the Group had additions to solar power plant under construction (including capital expenditure for incomplete solar power plants) of RMB7,218,000 (Six months ended 30 June 2020: RMB61,444,000).

During the six months ended 30 June 2021, there were solar power plants with the carrying amounts of RMB19,598,000 (Six months ended 30 June 2020: RMB10,505,000) transferred from solar power plants under construction to completed solar power plants and impairment loss of RMB17,672,000 (Six months ended 30 June 2020: RMB17,771,000) has been recognised to completed solar power plants.

As at 30 June 2021, completed solar power plants and solar power plants under construction amounted to RMB4,476,674,000 (31 December 2020: RMB4,612,793,000) and RMB18,545,000 (31 December 2020: RMB38,038,000), respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

17. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

As at 30 June 2021

As disclosed in Note 10, the Group had entered into a sale and purchase agreement to dispose of Lattice Power (Jiangxi) Group, which engaged in manufacturing and sale of LED Products, at a consideration of RMB670,000,000.

Details of terms and conditions in respect of payment of consideration to the Group were set out in the circular of the Company "Major and Connected Transaction" dated 23 June 2021.

The disposal is still underway as at 30 June 2021 as certain conditions precedent had not yet been met. Management of the Company has assessed that the sale of Lattice Power (Jiangxi) Group is highly probable to be completed within twelve months from the date of classification. Assets and liabilities of the Lattice Power (Jiangxi) Group, which were expected to be sold within twelve months, had been classified as "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" respectively, and were presented separately in the condensed consolidated statement of financial position as at 30 June 2021 (see below).

Major classes of assets and liabilities of the Lattice Power (Jiangxi) Group as at 30 June 2021, which had been presented separately in the condensed consolidated statement of financial position, were as follows:

	30 June 2021 RMB'000 (Unaudited)
Property, plant and equipment	226,615
Right-of-use assets	53,488
Intangible assets	254
Other non-current assets	10,650
Value-added tax recoverable	1,900
Trade and other receivables	191,222
Prepayment to suppliers	28,667
Financial assets at FVTPL	12,545
Receivables at FVTOCI	14,403
Inventories	107,986
Restricted bank deposits	60,728
Bank balances and cash	201,620
Total assets classified as held for sale	910,078
Trade and other payables	(219,557)
Contract liabilities	(23,290)
Tax liabilities	(4,509)
Bank and other borrowings	(10,000)
Deferred tax liabilities	(3,555)
Lease liabilities	(115)
Total liabilities associated with assets classified as held for sale	(261,026)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

17. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

As at 30 June 2021 (Continued)

As at 30 June 2021, taking into account the cash consideration payable by Nanchang Guanggu to the Group, the expected total proceeds received by the Group was estimated higher than the net carrying amounts of the relevant assets and liabilities.

The transaction was approved by the shareholders of the Company on 13 July 2021.

18. CONTRACT ASSETS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current asset — sales of renewable energy	381,738	346,912
Less: loss allowance recognised	(287)	(248)
	381,451	346,664

As at 1 January 2020, contract assets amounted to RMB310,394,000.

Contract assets, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on expected settlement dates.

Contract assets relate to the Group's right to consideration for electricity sold to the local state grid in the PRC. Contract assets are transferred to trade receivables when the solar power plants complete the registration to the Catalogue. The Group considers the settlement terms contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant counterparties. The related contract assets are classified as non-current assets as at 30 June 2021 and 31 December 2020. The increase in contract assets mainly due to the recognition of accrued tariff subsidies related to certain on-grid solar power plants of the Group that are still pending for registration to the Catalogue during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

19. TRADE AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	75,518	244,870
Accrued revenue on tariff subsidies (Note (ii))	1,433,468	1,178,650
	1,508,986	1,423,520
Less: loss allowance recognised	(3,382)	(28,673)
Total trade receivables and accrued revenue on tariff subsidies	1,505,604	1,394,847
Other receivables		
Prepaid expenses	1,404	7,998
Amounts due from independent third parties (Note (ii))	4,941	19,840
Consideration receivables for disposal of subsidiaries (Note (iii))	67,968	213,245
Consideration receivable from deemed disposal of a subsidiary (Note (iv))	—	21,940
Security deposits (Note (v))	102,740	103,532
Others (Note (vi))	8,080	7,893
	185,133	374,448
	1,690,737	1,769,295

Notes:

- (i) The Group's accrued revenue on tariff subsidies are receivables from the state grid company. Generally, trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidies, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company. The collection of accrued revenue on tariff subsidies is expected in the normal operating cycle, which may be recovered after twelve months from the reporting date.

In the opinion of the directors of the Company, the revenue recognition of tariff subsidies is proper based on their judgement and taking into account the opinion from the Group's PRC legal advisor, that the Group's operating solar power plants have qualified for registration in the Catalogue, and have met all the relevant requirements and conditions for the registration in the Catalogue. The directors of the Company are confident that the Group's operating solar power plants are able to be registered in the Catalogue in due course and the accrued revenue on tariff subsidies is fully recoverable upon the allocation of funds from the PRC government.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

19. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (ii) All balances due are unsecured, interest-free and repayable on demand. Management of the Company expects the balances would be settled within the next 12 months after the end of the reporting period.
- (iii) As at 30 June 2021, the amount included consideration receivable from the disposal of the 11 Target Companies and the 6 Target Companies amounting to RMB67,968,000, net of loss allowance of RMB31,049,000 (31 December 2020: RMB213,245,000, net of loss allowance of RMB70,276,000). The amount was non-trade in nature, unsecured, interest-free and repayable within one year.
- (iv) As at 31 December 2020, the amount included consideration receivable from the deemed disposal of a subsidiary, 金塔萬晟光電有限公司 (Jinta Wancheng Photovoltaics Co., Ltd) ("Jinta Wancheng"), amounting to RMB21,940,000, net of loss allowance of RMB1,339,000. The balance was fully settled during the six months ended 30 June 2021.
- (v) The amount represented deposits placed by the Group in the security deposits account opened in the independent financial institution, which was one of the corporate bondholders of one subsidiary of the Group. Pursuant to the maturity notice dated on 15 June 2018, an offsetting right has been granted by the Group to the independent financial institution, allowing it to offset the security deposits against the Group's outstanding corporate bond payable upon the maturity of the corporate bond. As set out in Note 26, the Group and the bondholder have entered into a supplementary agreement to extend the due dates of the remaining outstanding amounts of corporate bond payable to 25 October 2021. As at 30 June 2021, loss allowance of RMB4,260,000 (31 December 2020: RMB3,468,000) was recognised.
- (vi) As at 30 June 2021 and 31 December 2020, balances mainly represented custom deposits and advances to staff for the operational purpose.

The following is an ageing analysis of trade receivables and accrued revenue of tariff subsidies, net of loss allowance, presented based on the goods delivery and electricity transmitted dates, which approximated the respective revenue recognition date, at the end of the reporting period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 30 days	72,599	96,713
31 to 60 days	56,470	78,312
61 to 90 days	52,898	79,299
91 to 180 days	121,659	145,519
Over 180 days	1,201,978	995,004
	1,505,604	1,394,847

The Group normally requests prepayments from customers before delivery of LED products and allows credit period up to 180 days to certain trade customers on a case-by-case basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

19. TRADE AND OTHER RECEIVABLES (Continued)

The Group's trade receivables and accrued revenue on tariff subsidies from the sales of electricity are mainly receivables from the state grid companies. Generally, trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidies, representing 38% to 87% (Six months ended 30 June 2020: 38% to 90%) of total electricity sales during the six months ended 30 June 2021, which is subject to settlement by state grid companies upon finalisation of the allocation of funds by relevant government authorities to the state grid companies.

Pursuant to Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidies has come into force since 2013 and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to the Group.

The following is an ageing analysis of trade receivables (which with a defined credit policy), net of loss allowance, presented based on goods delivery and electricity transmitted dates, which approximated the respective revenue recognition date, at the end of the reporting period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 30 days	25,581	68,383
31 to 60 days	5,740	45,141
61 to 90 days	3,448	38,328
91 to 180 days	10,602	37,232
Over 180 days	27,981	27,113
	73,352	216,197

No interest is charged on the Group's trade receivables. The Group did not hold any collateral over these balances. Before accepting any new customers, the Group assesses the potential customers' credit quality and defines credit limits by customers.

20. AMOUNTS DUE FROM THE RELATED PARTIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Consideration receivables arising from the disposal of the Disposal Group (Note (i))	1,547,123	1,551,086
Loan advanced to the related parties (Note (ii))	81,470	81,041
Trade receivables (Note (iii))	5,837	4,980
Less: loss allowance recognised	(367)	(306)
	1,634,063	1,636,801

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

20. AMOUNTS DUE FROM THE RELATED PARTIES (Continued)

Notes:

- (i) As at 30 June 2021, the amount included RMB1,547,123,000 (net of loss allowance of RMB105,328,000) [31 December 2020: RMB1,551,086,000 (net of loss allowance of RMB101,365,000)], representing the consideration receivable from Asia Pacific Resources arising from disposal of the Disposal Group during the year ended 31 December 2019.
- (ii) As at 30 June 2021, the amount included RMB81,470,000 (net of loss allowance of RMB5,620,000) [31 December 2020: RMB81,041,000 (net of loss allowance of RMB5,296,000)], representing the loan advanced to the subsidiaries included in the Disposal Group, which are now indirectly and wholly-owned by Mr. Cheng, a substantial of shareholder of the Company. The amounts due were unsecured, interest-free, and repayable within one year.
- (iii) As at 30 June 2021, the amount mainly included RMB5,470,000 (net of loss allowance of RMB367,000) [31 December 2020: RMB4,674,000 (net of loss allowance of RMB306,000)], arising from the supply and the sales of electricity to the subsidiaries included in the Disposal Group, generated from the Group's roof-top solar power plant, which was trade related, unsecured and interest-free, and the credit period granted by the Group to the related party was 180 days. Balance as at 30 June 2021 and 31 December 2020 was all aged over 60 days based on the electricity transmitted date.

21. TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	17,893	95,125
Bills payables	—	18,740
Payables for acquisition of property, plant and equipment	1,721	11,073
Payables for EPC of solar power plants (Note (i))	270,600	374,036
Other tax payables	32,633	41,528
Amounts due to independent third parties (Note (ii))	204	1,372
Accrued expenses	705,988	535,717
Accrued payroll and welfare	2,409	50,272
Deposit received	20,800	—
Consideration payable for previous acquisition of subsidiaries (Note (iii))	8,072	10,525
Others	4,709	3,266
	1,065,029	1,141,654

Notes:

- (i) Amount represented payables incurred for EPC of solar power plants. The amounts would be repayable within twelve months after the end of the reporting period and such amounts were therefore classified as current liabilities at the end of the reporting period.
- (ii) As at 30 June 2021 and 31 December 2020, the amounts were non-trade in nature, unsecured, interest-free and repayable on demand.
- (iii) The amounts mainly resulted from the Group's acquisition of subsidiaries with solar power plants in the prior years, which were unsecured, interest-free and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

21. TRADE AND OTHER PAYABLES (Continued)

The credit period on purchases of goods is 0 to 180 days (31 December 2020: 0 to 180 days) and certain suppliers allow longer credit period on a case-by-case basis. The following is an ageing analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 30 days	65	38,081
31 to 60 days	—	12,325
61 to 90 days	—	4,999
91 to 180 days	—	3,332
Over 180 days	17,828	36,388
	17,893	95,125

The following is an ageing analysis of bills payables presented based on issue date at the end of the reporting period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 30 days	—	18,740

22. AMOUNTS DUE TO THE RELATED PARTIES

Analysed for reporting purpose as:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Loan advanced from the Disposal Group (Note)	1,650,375	1,651,233

Note:

As at 30 June 2021, the balances due to the Disposal Group, which is now directly and wholly-owned by Mr. Cheng, a substantial shareholder of the Company, were non-trade in nature, unsecured, interest-free and repayable on demand.

As at 31 December 2020, except for the unsecured balance of RMB10,000,000 carried at fixed interest rate of 6% per annum and repayable on demand, the remaining balances due to the Disposal Group were non-trade in nature, unsecured, interest-free and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

23. PROVISIONS

	RMB'000
At 1 January 2020 (Audited)	177,100
ECL recognised	9,000
Provision for the period	8,500
Reversal of provision	(3,081)
Exchange adjustments	2,659
At 30 June 2020 (Unaudited)	194,178
At 1 January 2021 (Audited)	187,646
Provision for the period	8,292
Exchange adjustments	(448)
At 30 June 2021 (Unaudited)	195,490

During the six months ended 30 June 2020,

- (i) additional ECL of RMB9,000,000 was recognised in relation to the financial guarantee provided by Shunfeng Photovoltaic Investment (China) Co., Ltd ("Shunfeng Investment") to a third party due to increase of credit risk.
- (ii) the Group made further provision of United States Dollars ("USD")1,208,000 (equivalent to RMB8,500,000) relating to the additional outstanding interest expense that the Group is obliged to settle for Suniva Inc. ("Suniva") followed by a reversal of USD438,000 (equivalent to RMB3,081,000) as certain outstanding borrowings has been settled by Suniva.

During the six months ended 30 June 2021, the Group made further provision of USD1,202,000 (equivalent to RMB8,292,000) relating to the additional outstanding interest expense that the Group is obliged to settle for Suniva.

As at 30 June 2021, the amounts represented:

- Financial guarantee contracts of RMB9,000,000 (31 December 2020: RMB9,000,000) provided by Shunfeng Investment to an independent third party for the overdue bank borrowings; and
- Financial guarantee contracts in respect of Suniva's bank borrowing and the outstanding accumulated accrued interest expenses of USD15,152,000 (equivalent to RMB98,615,000) and USD13,430,000 (equivalent to RMB87,875,000) (31 December 2020: USD15,152,000 (equivalent to RMB98,863,000) and USD12,228,000 (equivalent to RMB79,783,000)) respectively. The Company provided financial guarantee for Suniva. In light of loss incurred, Suniva declared bankruptcy during the year ended 31 December 2017. The Company made full provision on the financial guarantee in respect of Suniva's additional bank borrowing and the outstanding accumulated accrued interest expenses which carried interest at 7% per annum.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

24. BANK AND OTHER BORROWINGS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bank borrowings	1,328,468	1,349,844
Other borrowings	4,024,600	4,090,131
	5,353,068	5,439,975
Secured and guaranteed	2,305,922	2,360,233
Secured and unguaranteed	2,755,911	2,785,183
Unsecured and unguaranteed	291,235	294,559
	5,353,068	5,439,975
Fixed-rate borrowings	2,935,239	3,004,218
Variable-rate borrowings	2,417,829	2,435,757
	5,353,068	5,439,975
Carrying amount repayable:		
Within one year (Note (h))	2,583,643	2,763,746
More than one year, but not exceeding two years	885,037	682,372
More than two years, but not exceeding five years	1,123,165	1,226,331
More than five years	761,223	767,526
	5,353,068	5,439,975
Less: amounts due within one year shown under current liabilities (Note (i))	(3,210,943)	(3,219,869)
Amounts shown under non-current liabilities	2,142,125	2,220,106

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

24. BANK AND OTHER BORROWINGS (Continued)

More analysis on the bank and other borrowings as at 30 June 2021 and 31 December 2020:

Bank and other borrowings	Principal amount in original currency				Current liabilities RMB equivalents		Non-current liabilities RMB equivalents		Overdue amounts up to the date of approval of these interim condensed consolidated financial statements		Notes
	30 June 2021		31 December 2020		30 June 2021	31 December 2020	30 June 2021	31 December 2020	liabilities as at		
	HKD'000	RMB'000	HKD'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Major creditors											
Sino Alliance	1,151,000	—	1,200,000	—	957,747	1,009,920	—	—	957,747	957,747	(a)
CMBC-HK	780,000	—	780,000	—	649,038	252,480	—	403,968	124,815	123,151	(b)
Chongqing Trust	—	666,000	—	666,000	666,000	666,000	—	—	666,000	666,000	(c), (g)
Bondholders A	350,000	—	350,000	—	218,426	294,560	72,809	—	72,809	72,809	(d)
True Bold	171,690	—	171,690	—	142,864	144,495	—	—	142,864	142,864	(e)
Consideration receivables in advance from Chongqing Future	—	33,484	—	33,484	33,484	33,484	—	—	33,484	33,484	(f), (g)
Sub-total	2,452,690	699,484	2,501,690	699,484	2,667,559	2,400,939	72,809	403,968	1,997,719	1,996,055	
— held by group entities with solar power generation business	—	2,612,700	—	2,615,068	543,384	798,930	2,069,316	1,816,138	71,858	59,858	(g)
— held by the Lattice Power Group	—	—	—	20,000	—	20,000	—	—	—	—	
Subtotal	—	2,612,700	—	2,635,068	543,384	818,930	2,069,316	1,816,138	71,858	59,858	
	2,452,690	3,312,184	2,501,690	3,334,552	3,210,943	3,219,869	2,142,125	2,220,106	2,069,577	2,055,913	

Notes:

- (a). As at 31 December 2016, included in the other borrowings was a borrowing of HKD2,500,000,000 advanced from Sino Alliance, which earned interest at 8.5% per annum and originally matured on 21 December 2018.

Upon the disposal of the Disposal Group in 2019, amounting to HKD1,200,000,000 was assumed by Asia Pacific Resources as part of the consideration. In addition, a supplementary agreement entered into among the Group, Asia Pacific Resources, Mr. Cheng and Sino Alliance dated 28 June 2019 to further extend the due dates, pursuant to which the outstanding principal balance of HKD1,300 million is required to be settled in two instalments, including:

- (i) HKD500 million or 50% of consideration for the proposed disposal of the 11 Target Companies, whichever is higher, to be settled on 31 December 2019 or 30 business days after completion of the disposals, whichever is earlier; and
- (ii) the remaining balances to be settled on 31 December 2020 or 30 business days after completion of the Group's other disposals of solar power plants (including the proposed disposal of 6 Target Companies and Possible Disposals of Further Solar Power Plants), if any and whichever is earlier.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

24. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(a). (Continued)

As at 31 December 2020, the balance was HKD1,200,000,000 (equivalent to RMB1,009,920,000).

During the six months ended 30 June 2021, total principal amount of HKD49,000,000 (equivalent to RMB40,948,000) has been settled. As at 30 June 2021, total principal amount of HKD1,151,000,000 (equivalent to RMB957,747,000) was overdue.

Upon continuing negotiation and discussion between management of the Company and Sino Alliance, as of the date of approval of these interim condensed consolidated financial statements, management of Sino Alliance has been aware of the progress and details of the Development Plan that the Company will repay the overdue borrowings with the proceeds received from the disposal of solar power plants held by the Group and they stand for the Development Plan proposed by management of the Company.

- (b). The bank borrowing of HKD980,000,000 advanced from CMBC-HK, which was carried at the aggregate interest rate of 5% plus 3-month HIBOR per annum together with a management fee of 1.5% and advisory fee 1.5% per annum and matured on 21 December 2018. During the year ended 31 December 2018, a supplemental deed was entered into between the Group and CMBC-HK pursuant to which the maturity of the bank borrowing had been conditionally extended to 20 August 2019. In addition, the interest rate charged by CMBC-HK during the extended period was decreased from 5% to 4% per annum while the other terms and conditions remain unchanged.

On 31 October 2019, another supplementary agreement was entered into between the Group and CMBC-HK to further extend the due dates, pursuant to which the Group has agreed to additionally pledge its entire 59% of equity interest in Lattice Power Group to CMBC-HK, and CMBC-HK has agreed a further extension of the due dates and the settlement of the outstanding principal of HKD980,000,000 by instalments, including:

- an amount of HKD320 million to be settled on or before 31 December 2019 or expiry of 15 business days of receipt by the Group of the consideration of the disposal of 11 Target Companies, whichever is earlier (which is determined as the higher of amount of HKD200 million, 20% of the consideration for the disposal of 11 Target Companies or the sales capacity as of the disposal of 11 Target Companies divided by 1,500 megawatts and multiplied by HKD980 million);
- the higher of amount of HKD280 million and 20% of the consideration for the other disposals of solar power plants (including the disposal of 6 Target Companies and Possible Disposals of Further Solar Power Plants) on or before 15 July 2020 or the sales capacity as of the Possible Disposals of Further Solar Power Plants on or before 15 July 2020 divided by 1,500 megawatts and multiplied by HKD980 million, to be extended to 15 July 2020; and
- the remaining balance to be settled on or before 18 December 2020.

During the year ended 31 December 2020, total principal amount of HKD200,000,000 (equivalent to RMB171,917,000) has been settled.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

24. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(b). (Continued)

On 31 December 2020, another supplementary agreement was entered into between the Group and CMBC-HK to further extend the due dates, and the settlement of the outstanding principal of HKD780,000,000 (equivalent to RMB656,448,000) by instalments, including:

- (i) HKD300,000,000 shall be repaid on or before 31 December 2021, with paying HKD75,000,000 per quarter;
- (ii) HKD300,000,000 shall be repaid on or before 31 December 2022, with paying HKD75,000,000 per quarter; and
- (iii) Remaining HKD180,000,000 shall be repaid on or before 18 December 2023.

During the six months ended 30 June 2021, no settlement was made according to the terms stated in sub-note (b)(i) above and the principal balance of HKD780,000,000 (equivalent to RMB649,038,000) remained outstanding as at 30 June 2021 and has become repayable on demand as a result of breach of loan covenants.

The total principal amount of HKD2,000,000 (equivalent to RMB1,664,000) has been settled subsequent to the end of the reporting period and up to the date of approval of these interim condensed consolidated financial statements.

Upon rounds of discussion between management of the Company and CMBC-HK, as of the date of approval of these interim condensed consolidated financial statements, management of CMBC-HK has been aware of the progress and details of the Development Plan that the Company will repay the overdue borrowings through the proceeds received from the disposal of Lattice Power (Jiangxi) Group and they also stand for the Development Plan proposed by management of the Company.

- (c). The balances of RMB666,000,000 was advanced from Chongqing Trust which was secured by the Group's equity interest in Jiangsu Changshun and Nine Disposal Entities and guaranteed by the Company, carried fixed interest rate of 11% per annum, which was matured on 30 September 2020. Management of the Company expects to repay the outstanding loan principal and related interest payable from the proceed arising from the possible disposal of the entire equity interest of the relevant subsidiaries which holds such solar power plants in the near future.
- (d). As at 31 December 2020, the balance of HKD350,000,000 (equivalent to RMB294,560,000) was due to one individual bondholder of Fourth CB. On 26 March 2021, the Group entered into an extension agreement with that bondholder to further extend the due dates and the settlement of the outstanding principal of HKD350,000,000 (equivalent to RMB294,560,000) by instalments, including:
 - (i) HKD87,500,000 shall be repaid on or before 31 May 2021;
 - (ii) HKD87,500,000 shall be repaid on or before 30 November 2021;
 - (iii) HKD87,500,000 shall be repaid on or before 31 May 2022; and
 - (iv) Remaining HKD87,500,000 shall be repaid on or before 30 November 2022.

During the six months ended 30 June 2021, no settlement was made according to the terms stated in sub-note (d)(i) above and the principal balance of HKD350,000,000 (equivalent to RMB291,235,000) remained outstanding as at 30 June 2021 with HKD87,500,000 (equivalent to RMB72,809,000) overdue.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

24. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(e). The borrowing balances of HKD189,690,000 previously converted from the Fifth CB (as defined and detailed in Note 45(e) in the annual report of 2018) subscribed by True Bold upon maturity in 2017 was scheduled to be settled in the following way, according to the amendment agreement dated 29 June 2018:

(i) amount of HKD54,690,000 will be repaid on or before 27 December 2018; and

(ii) amount of HKD135,000,000 will be repaid on or before 27 November 2019.

Such balance was secured and guaranteed, carried fixed interest rate of 10% per annum.

As at 31 December 2020, the balance was HKD171,690,000 (equivalent to RMB144,495,000). No settlement was made during the six months ended 30 June 2021.

As at 30 June 2021, total principal amount of HKD171,690,000 (equivalent to RMB142,864,000) was overdue.

Upon continuing negotiation and discussion between management of the Company and True Bold, as of the date of approval of these interim condensed consolidated financial statements, management of True Bold has been aware of the progress and details of the Development Plan that the Company will repay the overdue borrowings with the proceeds received from the disposal of solar power plants held by the Group and they stand for the Development Plan proposed by management of the Company.

(f). The balances of RMB33,484,000 in relation to the consideration received in advance, which was secured by the Group's equity interest in Jiangsu Changshun and Nine Disposal Entities and guaranteed by the Company, carried fixed interest rate of 9% per annum, as detailed in Note 32 (iii) in the annual report of 2017.

This balance was overdue and was included in the current liabilities as at 30 June 2021 and 31 December 2020. Management of the Company expects to repay the outstanding loan principal and related interest payable from the proceed arising from the possible disposal of the entire equity interest of the relevant subsidiaries which holds such solar power plants in the near future.

(g). Included in the current liabilities as at 30 June 2021 were borrowings in relation to the solar power generation business with principal amounts of RMB771,342,000. Management of the Company assessed that these overdue balances were held by the subsidiaries holding the solar power plants in the PRC, the bank and other borrowings held by these entities will be eventually assumed by the purchasers according to the relevant sale and purchase agreements.

Management of the Company is optimistic that the relevant lenders will also accept in respect of the Possible Disposals of Further Solar Power Plants.

(h). In addition, balance of current liabilities as at 30 June 2021 also included a bank and other borrowings with a carrying amount of RMB899,828,000 (31 December 2020: RMB1,175,876,000), of which certain loan covenants had been breached. On discovery of the breach, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the borrowings with the relevant creditors. As at 30 June 2021, those negotiations had not been concluded. Since the lenders had not yet agreed to waive its right to demand immediate payment as at the end of the reporting period, the respective borrowings have been classified as current liabilities, accordingly.

(i). The amounts due within one year were classified to scheduled repayment dates set out in the loan agreements or supplementary extension agreement, and included the balances which had been overdue.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

24. BANK AND OTHER BORROWINGS (Continued)

The ranges of effective interest rate of the Group's interest-bearing borrowings are as follows:

	30 June 2021	31 December 2020
Effective interest rate:		
Fixed rate borrowings	3.00% to 11.00%	3.00% to 15.00%
Variable rate borrowings	3.26% to 8.00%	3.85% to 8.00%

As at 30 June 2021 and 31 December 2020, the Group had variable-rate borrowings which carried interest based on the benchmark interest rate issued by the PBOC. Interest was reset every one month, three months or one year.

25. CONVERTIBLE BONDS

(a) First CB (as defined below)

On 28 February 2013, the Company issued zero-coupon convertible bonds at par to Peace Link, with principal amount of HKD449,400,000 (equivalent to RMB356,660,000) ("First CB"). The First CB was designated as financial liabilities at FVTPL upon initial recognition on 28 February 2013, which was subsequently measured at fair value with changes in fair value recognised in profit or loss till the date of modification of terms on 19 September 2013. Please refer to the annual report of 2020 for details.

The movements of the components of First CB during six months ended 30 June 2021 and 2020 are set out below:

	Liability component at amortised cost RMB'000	Convertible bonds equity reserve RMB'000	Total RMB'000
Carrying amount at 1 January 2020 (Audited)	60,379	677,128	737,507
Effective interest expense charged for the period	6,050	—	6,050
At 30 June 2020 (Unaudited)	66,429	677,128	743,557
Effective interest expense charged for the period	6,877	—	6,877
At 31 December 2020 (Audited)	73,306	677,128	750,434
Effective interest expense charged for the period	7,603	—	7,603
At 30 June 2021 (Unaudited)	80,909	677,128	758,037

As at 30 June 2021, the First CB of RMB35,666,000 (31 December 2020: RMB35,666,000) was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem 10% (31 December 2020: 10%) of the First CB on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

25. CONVERTIBLE BONDS (Continued)

(b) Second CB (as defined below)

On 19 August 2013, the Company issued convertible bonds at par to Peace Link with principal amount of HKD930,500,000 (equivalent to RMB738,492,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Second CB"). Please refer to the annual report of 2020 for details.

The components of the Second CB are set out below:

	Liability component at amortised cost	Convertible bonds equity reserve	Total
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January 2020, 31 December 2020 and 30 June 2021	371,825	118,469	490,294

As at 30 June 2021 and 31 December 2020, the Second CB of RMB1,710,000 was classified as current liability as the early redemption option gives the holder the right (except for Peace Link has waived such right as detailed below) to require the Company to redeem up to 100% of the aggregate amount of the Second CB during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Second CB Maturity Date.

Meanwhile, as at 30 June 2021 and 31 December 2020, the Second CB of RMB370,115,000 was classified as non-current liability as the Group has obtained intention letter from Peace Link, one of the convertible bondholders of the Second CB, which expressed its consent not to exercise the right to early redemption for a period of 12 months from the end of the reporting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

25. CONVERTIBLE BONDS (Continued)

(c) Third CB (as defined below)

On 16 April 2014, the Company issued zero-coupon convertible bonds at par to Peace Link and other independent third parties with aggregate principal amount of HKD3,580,000,000 (equivalent to RMB2,841,270,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Third CB"). Please refer to the annual report of 2020 for details.

The movements of the components of the Third CB during the six months ended 30 June 2021 and 2020 are set out below:

	Liability component at amortised cost RMB'000	Convertible bonds equity reserve RMB'000	Total RMB'000
Carrying amount at 1 January 2020 (Audited)	69,211	84,253	153,464
Effective interest expense charged for the period	7,000	—	7,000
At 30 June 2020 (Unaudited)	76,211	84,253	160,464
Effective interest expense charged for the period	7,797	—	7,797
At 31 December 2020 (Audited)	84,008	84,253	168,261
Effective interest expense charged for the period	8,447	—	8,447
At 30 June 2021 (Unaudited)	92,455	84,253	176,708

Notes:

- (a) Subsequently on 1 September 2014, each of the Third CB holders issued a commitment confirmation letter to the Company individually and confirmed that they would not exercise the early redemption right but retain the share conversion right till the Third CB Maturity Date. A deed of undertaking had also been subsequently drawn up and entered into by each of the Third CB holders confirming that all of them hereby irrevocably undertook to the Company that they would comply with the terms of the commitment confirmation letter, with effect from 1 September 2014.

Upon receipt of the commitment confirmation letter and the deed of undertaking from each of the Third CB holders on 1 September 2014, the directors of the Company considered that the expected future cash flows of the Third CB had been changed and the original estimate of the amortisation period on the basis of the earliest date on which the entity can be required to pay (i.e., for a shorter period of 1 year and 5 years for the 20% and the remaining 80% of the aggregate amount of the Third CB, respectively) was no longer appropriate, and revised the estimate of the amortisation period till Third CB Maturity Date (i.e., for a period of 10 years) accordingly.

The liability component of the Third CB was therefore re-measured on 1 September 2014 by discounting the revised estimated cash flows at the Third CB's original effective interest rate, and resulted in a change in carrying amount of the liability component of the Third CB by RMB992,024,000, which required the adjustment to be recognised in the profit or loss for the year ended 31 December 2014 in accordance with IAS 39.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

25. CONVERTIBLE BONDS (Continued)

(c) Third CB (as defined below) (Continued)

Notes: (Continued)

- (b) In 2019, Peace Link, one of the bondholders and a company beneficially owned by Mr. Cheng, has entered into a legally binding deed of waiver and undertaking in favour of the Company, pursuant to which Peace Link, conditional upon completion of the disposal of the Disposal Group, agreed to waive the repayment and redemption obligations of the Company in respect of principal amount of HKD1,948,000,000 (equivalent to RMB1,546,032,000) of the Third CB held by Peace Link for no consideration. The Third CB originally will be matured on 15 April 2024. The waiver of the Third CB had become effective since 14 October 2019.

As a result, the carrying amount of the Third CB of RMB652,693,000 has been derecognised and credited to special reserve as deemed capital contribution from the shareholder with the corresponding convertible bonds equity reserve of RMB820,718,000 reclassified to the accumulated deficits.

- (c) The balance represented the remaining principal balance of HKD200 million of the Third CB held by Mr. Cheng.

Liability components in respect of all the convertible bonds issued by the Company analysed for reporting purpose as:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within one year classified as current liabilities	37,376	37,376
In more than one year but not more than two years	370,115	370,115
In more than two one year but not more than five years	137,698	121,648
Total non-current liabilities	507,813	491,763
	545,189	529,139

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

26. BOND PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Analysed for reporting purpose:		
Current liabilities	585,372	618,363

The proceeds from the bond payables issued was used to finance the acquisition of property, plant and equipment, capital expenditure on solar power plants, and to fund working capital for general operation.

2015 Corporate Bond

On 10 November 2015, Shunfeng Investment, a subsidiary of the Group, issued a 3-year corporate bond at par to certain independent third parties in the principal amount of RMB550,000,000. The corporate bond is unsecured but guaranteed by the Company, carried fixed interest of 7.8% per annum, and with the maturity date on 10 November 2018.

On 10 November 2018, the outstanding principal sum of RMB550,000,000 of the 3-year corporate bond, together with the unpaid interest of RMB42,900,000, totalling RMB592,900,000 was matured, and the Group had repaid all interest of RMB42,900,000 to the bondholders. In addition, the Group had entered into a supplementary agreement with the bondholders, to extend the maturity date of the corporate bond to 9 November 2019, carried fixed interest rate of 7.8%.

During the year ended 31 December 2020, total principal amount of RMB187,100,000 has been settled.

During the six months ended 30 June 2021, total principal amount of RMB32,991,000 has been settled.

As at 30 June 2021, the outstanding principal of RMB329,909,000 (31 December 2020: 362,900,000) and unpaid interest of RMB61,072,000 (31 December 2020: RMB47,097,000) have been overdue.

Management of the Company is optimistic that these bondholders of the 2015 Corporate Bond continue support the Development Plan and agree to extend the due date to the time that a sufficient amount of proceed from the disposal of solar power plants held by the Group will be received by the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

26. BOND PAYABLES (Continued)

2016 Corporate Bond

In addition, on 22 June 2016, Shunfeng Investment issued a 2-year corporate bond at par to certain independent third parties in the principal amount of RMB450,000,000 and to Wuxi Suntech Power Co., Ltd, another subsidiary of the Group, in the principal amount of RMB50,000,000. The corporate bond is unsecured but guaranteed by the Company, carried fixed interest of 7.7% per annum, and with the maturity date on 22 June 2018. During the year ended 31 December 2017, principal amount of RMB20,000,000 of the corporate bond held by Wuxi Suntech Power Co., Ltd was transferred at par value to an independent financial institution.

On 22 June 2018, the outstanding principal sum of RMB500,000,000 of the 2-year corporate bond, together with the unpaid interest of RMB38,500,000, totalling RMB538,500,000 was matured. The Group had repaid an aggregate settlement of RMB194,500,000 (including the principal sum of RMB156,000,000 and interest of RMB38,500,000). Then the Group had entered into a supplementary agreement with the bondholder during the year ended 31 December 2018 and had agreed with the bondholder by the following ways of settlement:

- the repayment date of RMB60,000,000 of the principal is extended to 22 September 2018;
- the repayment date of RMB284,000,000 of the principal is extended to 22 March 2019.

During the year ended 31 December 2018, the first instalment of RMB60,000,000 was fully settled subsequent to the extension. During the year ended 31 December 2019, only partial settlement in the principal amount of RMB8,537,000 and interest of RMB11,463,000 in respect of the second instalment was made by the Group. The Group and the bondholder had entered into another supplementary agreement dated 25 April 2019 to further extend the due dates to 25 April 2020.

On 25 April 2020, the Group had entered into an extension agreement with the bondholder agreed conditionally to extend the due date to the time that a sufficient amount of Consideration received by the Group from the disposal of the 11 Target Companies or 25 October 2020, whichever is earlier.

During the year ended 31 December 2020, total principal amount of RMB20,000,000 has been settled. On 25 October 2020, the Group had entered into an extension agreement with the bondholder agreed conditionally to further extend the due date of outstanding principal of RMB255,463,000 to 25 April 2021.

On 31 May 2021, the Group had entered into an extension agreement with the bondholder and agreed to further extend the due date of outstanding principal of RMB255,463,000 to 25 October 2021.

As at 30 June 2021, the outstanding principal of RMB255,463,000 (31 December 2020: RMB255,463,000) carried interest rate of 7.7% per annum was secured by a security deposit of RMB107,000,000 (31 December 2020: RMB107,000,000) as detailed in Note 19 and the interest of RMB51,996,000 (31 December 2020: RMB42,241,000) was still outstanding and had been overdue.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

27. SHARE CAPITAL

	Number of shares	Amount HKD
Authorised		
At 1 January 2020, 31 December 2020 and 30 June 2021		
— Ordinary shares of HKD0.01 each	10,000,000,000	100,000,000
	Number of shares	Amount HKD
Issued and fully paid		
At 1 January 2020 (Audited), 31 December 2020 (Audited) and 30 June 2021 (Unaudited)	4,982,375,490	49,823,755
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Presented in the interim condensed consolidated financial statements as	40,756	40,756

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

28. DISPOSAL OF SUBSIDIARIES

For the six months ended 30 June 2020

On 15 November 2019, the Company entered into 11 sale and purchase agreements with the Zhonghe Shandong Energy Co., Ltd.[#] (中核山東能源有限公司) (“ZSEC”), an independent third party, pursuant to which the Company had conditionally agreed to sell, and ZSEC had conditionally agreed to purchase each of equity interest in i) Hami Hengxin New Energy Technology Co., Ltd.[#] (哈密恒鑫新能源科技有限公司) (“Hami Hengxin”), ii) Hami Junxin Photovoltaic Power Generation Co., Ltd.[#] (哈密浚鑫光伏發電有限公司) (“Hami Junxin”), iii) Hami Tianhong Solar Power Technology Co., Ltd.[#] (哈密天宏陽光太陽能科技有限公司) (“Hami Tianhong”), iv) Hami Yixin New Energy Technology Co., Ltd.[#] (哈密益鑫新能源科技有限公司) (“Hami Yixin”), v) Hebei Guowei New Energy Technology Co., Ltd.[#] (河北國威新能源科技有限公司) (“Hebei Guowei”), vi) Jinchang Zhongke New Energy Co., Ltd.[#] (金昌市中科新能源有限公司) (“Jinchang Zhongke”), vii) Pingluo Zhongdianke Energy Co., Ltd.[#] (平羅中電科能源有限公司) (“Pingluo Zhongdianke”), viii) Shangde (Hami) Solar Power Generation Co., Ltd.[#] (尚德(哈密)太陽能發電有限公司) (“Shangde (Hami)”), ix) Sunan Yugur Autonomous County Zhongneng Changyeyuan Co., Ltd.[#] (肅南裕固族自治縣中能產業園有限公司) (“Sunan Yugur”), x) Wuwei Jiuyuan Metal Components Co., Ltd.[#] (武威久源金屬構件有限公司) (“Wuwei Jiuyuan”) and xi) Wuwei Huadong Zhonghe New Energy Co., Ltd.[#] (武威華東眾合新能源有限公司) (“Wuwei Huadong”), (collectively referred to as the “11 Target Companies”), which owned and operated 11 solar power plants in total in the PRC. The proceeds arising from of the disposal of the 11 Target Companies were RMB1,394,853,000, comprising the following:

- 1) the cash consideration of RMB641,420,000, to be payable by ZSEC to the Group by four to five tranches;
- 2) the dividend payables of RMB196,848,000, which representing the undistributed profits up to 30 June 2019 declared in August 2019 in respect of the relevant Target Companies including Hebei Guowei, Jinchang Zhongke, Pingluo Zhongdianke, Shangde (Hami) and Sunan Yugur, shall be payable by the relevant Target Companies to the Group by two tranches, of which timing of payment to the Group are conditional to the completion of certain conditions as stipulated in the relevant sale and purchase agreements; and
- 3) relevant payables representing the relevant amount payable by the relevant 11 Target Companies to the Group by two to three tranches, the timing and amount of payment to the Group of which are conditional upon the completion of the disposal and certain conditions and, as stipulated in the relevant sale and purchase agreements, are subject to adjustment from the result of transitional period audit to be performed by the PRC local auditor engaged by ZSEC of the relevant 11 Target companies and certain remedial steps (as defined and detailed in the Company’s circular dated 29 December 2019). The relevant payables were amounted to RMB556,585,000 as at disposal dates.

Details of terms and conditions in respect of payment of consideration, dividend payables and relevant payables to the Group were set out in the circular of the Company “Very Substantial Disposal” dated 29 December 2019.

[#] English name is for identification purpose only

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

28. DISPOSAL OF SUBSIDIARIES (Continued)

For the six months ended 30 June 2020 (Continued)

The Group completed the disposal of the 11 Target Companies during the six months ended 30 June 2020. The net assets of the 11 Target Companies at the respective disposal dates were as follows:

	RMB'000
Property, plant and equipment	362
Right-of-use assets	87,432
Solar power plants	3,518,553
Other non-current assets	2,169
Value-added tax recoverable	120,092
Trade and other receivables	958,766
Receivables at FVTOCI	6,825
Restricted bank deposits	4,253
Bank balances and cash	814
Trade and other payables	(338,693)
Tax liabilities	(2,535)
Bank and other borrowings	(2,022,184)
Deferred income	(7,461)
Lease liabilities	(50,173)
Impairment loss recognised on asset classified as held for sale	(851,428)
Net assets disposed of	1,426,792
Loss on disposal of subsidiaries included in profit or loss	(31,939)
	1,394,853
Satisfied by:	
Cash consideration	641,420
Dividend payables	196,848
Relevant payables	556,585
	1,394,853
Net cash inflows arising on disposal:	
Cash consideration	641,420
Less: bank balances and cash disposed of	(814)
	640,606

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

28. DISPOSAL OF SUBSIDIARIES (Continued)

For the six months ended 30 June 2020 (Continued)

In respect of the collection of sales proceed from the disposal of the 11 Target Companies, apart from the successful completion of the share transfer of the equity interests of the 11 Target Companies to ZSEC in accordance with the relevant share transfer agreements with the relevant 11 Target Companies, the timing of payment of cash consideration to be payable by ZSEC by four to five tranches and dividend payables to be payable by the relevant Target Companies by two tranches, and the timing and amount of payment of relevant payables to be payable by the relevant Target Companies by two to three tranches, are also subject to the completion of (i) the transitional period audit to be performed by the local auditor in the PRC engaged by ZSEC and (ii) certain remedial steps to be taken by the Group.

As at 30 June 2021, a substantial portion of total consideration has been settled. Management of the Company expects that remaining amount of the consideration will be received prior to December 2021.

29. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of Lattice Power Group:

On 18 April 2006, Lattice Power Corporation approved the 2006 Global Share Plan (the "2006 ESOP") and common shares of Lattice Power Corporation were reserved to grant to its employees, directors and consultants in certain years. As of 5 August 2015, a total number of 28,000,000 options have been granted to the employees, directors and consultants of Lattice Power Group.

On 6 August 2015, the date on which Lattice Power Group was acquired by the Group, pursuant to the agreement entered into between the Company and the ESOP Sellers, the Company acquired from the ESOP Sellers 14,280,000 common shares of Lattice Power Corporation, which were converted from 51% of the outstanding options granted (the "51% ESOP Completion").

The 2006 ESOP was terminated prior to the 51% ESOP Completion but the remaining 49% of the outstanding options, with a total number of 13,720,000 convertible shares in accordance with the original terms according to the 2006 ESOP would continue to be valid after the 51% ESOP Completion ("49% Outstanding Options").

Exercise Price

The exercise price varies depend on the time period when the options were granted:

	From June 2007 to January 2010	From March 2010 to July 2011	From November 2011 to December 2013	From January 2015 to April 2015
Exercise price	USD0.20	USD0.50	USD1.00	USD1.05

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of Lattice Power Group: (Continued)

Vesting Schedule

Subject to the participant's continued status as employees through each of the applicable vesting dates and to the extent permitted by applicable law, the options are exercisable, in whole or in part, in accordance with the following schedule:

The full vesting period is 4 years since the vesting commencement date. Twenty five percent of the option shall vest on the one year anniversary of the vesting commencement date, and 1/48 of the shares shall vest each month thereafter on the same day of the month as the vesting commencement date, subject to participant continuing to be an employee through each vesting date.

As at 6 August 2015, 4,391,694 options were vested and 9,328,306 options were unvested. The vesting periods of the unvested options are from 7 August 2015 to 30 April 2019.

The exercise periods range from 1 July 2021 to 29 April 2025 and from 1 January 2021 to 29 April 2025 for the options outstanding as at 30 June 2021 and 31 December 2020 respectively. The weighted average remaining contractual terms of options outstanding as at 3.83 years (31 December 2020: 4.33 years).

Upon termination as employees (except as provided below), the maximum time to exercise option is 3 months after termination. Upon termination as employees due to disability or death, the maximum time to exercise option is 12 months after termination. The option may only be exercised to shares that have vested as of the date of the participant's termination as a service provider and in no event may the option be exercised after the expiration date. It is the participant's responsibility to exercise the option, if the participant so desires, before it expires or terminates.

The following table discloses movements of the 49% Outstanding Options for the six months ended 30 June 2021 and from 6 August 2015 (date of the Group's acquisition of Lattice Power Group) to 30 June 2021:

	Number of options	Weighted average exercise price per option
Outstanding on 6 August 2015	13,720,000	USD0.93
Exercised	1,960	USD0.52
Outstanding on 31 December 2016, 2017, 2018, 2019 and 2020 and 30 June 2021	13,718,040	USD0.93
Exercisable on 31 December 2016	7,857,279	USD0.78
Exercisable on 31 December 2017	10,546,927	USD0.85
Exercisable on 31 December 2018	12,750,037	USD0.88
Exercisable on 31 December 2019	13,718,040	USD0.90
Exercisable on 31 December 2020	13,718,040	USD0.90
Exercisable on 30 June 2021	13,718,040	USD0.90

As at 6 August 2015, the outstanding share-based payment transactions of Lattice Power Corporation are not exchanged by the Group and are measured at their market-based measure at the acquisition date.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of Lattice Power Group: (Continued)

These fair values on 6 August 2015 were calculated using the Binomial model. The inputs into the model were as follows:

	Remeasurement of vested portion	Remeasurement of unvested portion
Applicable share value	RMB30.92	RMB30.92
Exercise price	USD0.20-USD1.05	USD1.00-USD1.05
Expected volatility	49.82%-56.49%	51.73%-56.49%
Expected life	1.82-9.73 years	6.24-9.73 years
Risk-free rate	2.53%-3.43%	3.31%-3.43%
Expected dividend yield	0.00%	0.00%
Expected forfeiture rate	0.00%	0.00%
Total fair value on 6 August 2015	RMB76,402,000	RMB235,295,000

The applicable share value was estimated based on the acquisition share price of Lattice Power Corporation.

Expected volatility was determined by using the average of industry annualised historical stock price volatilities as at 6 August 2015. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The estimations on expected dividend yield and forfeiture rate are based on the historical experience of Lattice Power Corporation.

The fair value of vested portion amounting to RMB76,402,000 are included as part of the non-controlling interest in Lattice Power Corporation. The market-based measure of the unvested portion of RMB34,977,000 is allocated to the non-controlling interests in Lattice Power Corporation based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of those share options. The balance of RMB200,318,000 in respect of the unvested portion will be recognised as remuneration cost for post-combination service.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate as assisted by an independent professional valuer.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised costs (except for liability component of the convertible bonds as described below) recognised in these interim condensed consolidated financial statements approximate their fair values. There were no transfers into and out of level 3 during both periods.

	30 June 2021		31 December 2020	
	Carrying amount RMB'000 (Unaudited)	Fair value RMB'000 (Unaudited)	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
Liability component of convertible bonds	545,189	392,641	529,139	326,367

The fair value of the liability component of convertible bonds as at 30 June 2021 and 31 December 2020 is under level 3 category and was determined by the directors of the Company with reference to the valuation performed by independent professional valuer. The fair value of the liability component of convertible bonds is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bonds and discount rate that reflected the credit risk of the Company.

Fair value measurements recognised in the condensed consolidated statement of financial position that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial items	Classified as	Fair value as at		Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000				
Unlisted equity investments classified as financial assets at FVTPL	Financial assets at FVTPL	1,000	2,207	Level 3	Market approach – the value is based upon what investors are paying for similar assets or securities in the market place	Market multiples	The higher the market multiples, the higher the fair value
Convertible debt instrument classified as financial assets at FVTPL	Financial assets at FVTPL	—	10,338	Level 3	Binomial model	Volatility	The higher the positive volatility, the higher the fair value
Receivables at FVTOCI	Financial assets at FVTOCI	437	9,527	Level 2	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables	Discount rate	The higher the discount rate, the lower the fair value

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the condensed consolidated statement of financial position that are measured at fair value on a recurring basis (Continued)

The following table represents the changes in level 3 derivative financial instruments during the six months ended 30 June 2021 and 2020.

	Warrants Liabilities arising from previous acquisition of Lattice Power Group	Financial assets at FVTPL
	RMB'000	RMB'000
(Liabilities)/Assets at 1 January 2020 (Audited)	(6,078)	3,096
Gain recognised in profit or loss included in other gains and losses	1,293	—
(Liabilities)/Assets at 30 June 2020 (Unaudited)	(4,785)	3,096
Assets at 1 January 2021 (Audited)	—	12,545
Addition during the period	—	1,000
Reclassified to assets held for sale (Note 17)	—	(12,545)
Assets at 30 June 2021 (Unaudited)	—	1,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

31. RELATED PARTY DISCLOSURES

(a) Related party transactions

Save as disclosed elsewhere in these interim condensed consolidated financial statements, the Group had also entered into the following related party transactions during the six months ended 2021 and 2020.

Name of related parties	Relationship	Nature of transactions	Six months ended 30 June	
			2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Tiancheng International Auctioneer Limited ("Tiancheng International") ("天成國際拍賣有限公司")	Note (i)	Interest expense on lease liabilities	213	6
Wuxi Suntech	Note (ii)	Sales of power generation	759	650
Wuxi University Science Park International Incubator Co., Ltd# ("Wuxi Incubator") ("無錫大學科技園國際孵化器有限公司")	Note (ii)	Utility	—	19
Jiangsu Shunfeng	Note (ii)	Interest expense	—	1,425
Changzhou Shunfeng Photovoltaic Materials Co., Ltd# ("Changzhou Materials") ("常州順風光電材料有限公司")	Note (ii)	Interest expense	—	2,138

Notes:

- (i) Management considers Tiancheng International is a related party as it is 100% owned by Ms. Zheng Yan, who is the wife of Mr. Lu Bin (an executive Director) and the sister of Mr. Cheng Kin Ming (a substantial shareholder of the Company).
- (ii) Management considers Wuxi Suntech, Wuxi Incubator, Jiangsu Shunfeng and Changzhou Materials are related parties of the Group as they are held by Asia Pacific Resources, an entity wholly-owned and controlled by Mr. Cheng, a substantial shareholder of the Company.

(b) Related party balances

Save as disclosed elsewhere in these interim condensed consolidated financial statements, the Group had the following significant outstanding balances with related parties as at 30 June 2021 and 31 December 2020:

Name of related parties	Name of balances	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Tiancheng International	Lease liabilities	4,556	6,847

English name is for identification purpose only

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

31. RELATED PARTY DISCLOSURES (Continued)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the six months ended 30 June 2021 and 2020 was as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Basic salaries and allowances	4,152	2,565
Retirement benefit scheme contributions	30	11
	4,182	2,576

The remuneration of directors and key management is determined with reference to the performance of individuals and market trends.

32. CONTINGENT LIABILITIES AND MAJOR LITIGATION

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Guarantees provided to financial institutions, in respect of banking facilities to independent third parties:		
Total guarantee amounts	195,490	187,646
Less: amount provided as financial guarantee contracts (Note 23)	(195,490)	(187,646)
Unprovided amount	—	—

Litigation lodged by JIC Trust Co., Ltd# (中建投信託有限公司) (referred as "JIC") against the Group

In respect of the borrowing from JIC, an independent financial institution, of a principal balance of RMB490,000,000 which have been overdue on 16 August 2019. JIC lodged a litigation against Jinta Wancheng during the year ended 31 December 2019 and subsequently Jinta Wancheng received the first-instance judgement from the High People's Court of Zhejiang in January 2020, requesting Jinta Wancheng to repay the outstanding loan principal of RMB490,000,000, interest payable of RMB97,066,000 and penalty interest payable of RMB37,146,000, totalling RMB624,212,000 immediately. Jinta Wancheng accepted the judgement and, apart from the principal balance of RMB490,000,000 included in "bank and other borrowings", and has also provided additional interest expenses of RMB55,586,000 and additional penalty interest of RMB37,146,000 for the year ended 31 December 2019 as "finance cost".

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

32. CONTINGENT LIABILITIES AND MAJOR LITIGATION (Continued)

Litigation lodged by JIC Trust Co., Ltd# (中建投信託有限公司) (referred as “JIC”) against the Group (Continued)

On 26 July 2020, Jinta Wancheng received a petition filed by its creditor for an order that Jinta Wancheng maybe wound up by the High People’s Court of Gansu. The petition was filed against Jinta Wancheng for its failure to settle a sum of approximately RMB237 million for EPC payable of solar power plants.

On 5 November 2020, the Intermediate People’s Court of Jiu Quan agreed a restructuring plan submitted by the receiver, pursuant to which an independent third party of the Group, ZSEC, agreed to acquire the entire equity interest of Jinta Wancheng at a zero consideration. ZSEC will inject RMB707,150,000 to Jinta Wancheng for repayment of liabilities, any balance due over this amount will become irrecoverable and waived. The receiver has allocated the injected fund based on the priority of debts. Consequently, the Group will receive RMB24,212,000 for repayment of intercompany loan. Following the restructuring plan implemented by the Intermediate People’s Court of Jiu Quan, Jinta Wancheng ceased to be a subsidiary of the Group in 2020 and its financial performance and financial position would not be consolidated.

33. EVENTS AFTER THE REPORTING PERIOD

The disposal of Lattice Power (Jiangxi) Group

As detailed in Note 10, the shareholders have attended extraordinary general meeting on 13 July 2021 and approved, confirmed and ratified the disposal of Lattice Power (Jiangxi) Group. For more details, please refer to the announcement published by the Company dated 13 July 2021.

The proposed disposal of the 7 Target Companies

As disclosed in the announcement published by the Company on 24 August 2021, the Group has entered into seven sale and purchase agreements with an independent purchaser, pursuant to which the Group has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase 100% of the equity interests in (i) Baoshan Changshan Shunfeng Shangde New Energy Co., Ltd# (保山長山順風尚德新能源有限公司), (ii) Shufu County Junxin Technology Photovoltaic Power Generation Co., Ltd# (疏附縣浚鑫科技光伏發電有限公司), (iii) Kezhou Baishide New Energy Development Co., Ltd# (克州百事德新能源開發有限公司), (iv) Maigaiti Jintan Zhengxin New Energy Technology Co., Ltd# (麥蓋提金壇正信新能源科技有限公司), (v) Wushi Longbai Electricity Investment Co., Ltd# (烏什龍柏電力投資有限公司), (vi) Yingjisha County Rongxin Tianhe New Energy Co., Ltd# (英吉沙縣融信天和新能源有限責任公司), and (vii) Shufu County Zhongjiancai New Energy Photovoltaic Power Generation Co., Ltd# (疏附縣中建材新能源光伏發電有限公司) (collectively referred to as the “7 Target Companies”) at a total consideration of approximately RMB538,000,000.

English name is for identification purpose only

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of director(s) of the Company
“Company”, “we” or “us”	Shunfeng International Clean Energy Limited
“Corporate Governance Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Euro”	Euro, the lawful currency of the member states of European Union
“Group”	the Company and its subsidiaries
“GW”	gigawatt, which equals to one billion watt
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“LED”	light-emitting diode
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MW”	megawatt, which equals to one million watt
“MWh”	megawatt hour
“Period”	six months ended 30 June 2021
“PRC” or “China”	the People’s Republic of China
“PV”	Photovoltaic
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Wuxi Suntech”	Wuxi Suntech Power Co., Ltd.